Guide To Taxes

Administered by The
Montana
Department of Revenue

January 1999

Compiled by
Tax Policy and Research

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Structure and Functions of the Department Of Revenue

Mission Statement - The Department of Revenue is a service-oriented and accountable organization where customers and employees are treated with courtesy, respect, and fairness; and where effective revenue, compliance, and collection services are provided to the public and to other governmental units in a fast, accurate, and cost effective manner.

The **Director's Office** (444-2460) advises the Governor on all matters affecting the agency, recommends changes to Montana tax laws and policies, provides policy direction to all department processes, and develops and presents the department's biennial budget. The director's office is composed of four sections.

Dispute Resolution reviews, facilitates, and resolves taxpayer disputes internally through a variety of means, including mediation.

Office of Legal Affairs supervises the overall legal efforts of the department, supervises the staff attorneys, and maintains liaison with retained attorneys.

Policy and Performance Management (PPM) provides policy direction, strategic planning, administrative rules, and performance management for department operations. It measures and facilitates the performance of department processes and ensures that department-related legislation is implemented efficiently.

Tax Policy and Research (TPR) is responsible for estimating state general fund revenues, coordinating Department of Revenue (DOR) legislation, preparing fiscal notes for most tax policy legislation, and reviewing all legislation which is related to revenue. TPR also analyzes economic and statistical data, compiles department research data, and conducts revenue-related research for the DOR and for external stakeholders.

Processes

Information Technology (IT) - provides services in the area of data support, applications support, technology support, and user assistance which enables the department to meet its business objectives.

Resource Management (RM) - integrates human resources, accounting, facilities, internal and external customer education, and liquor distribution into a division that focuses on service and support to the department.

Customer Service Center (CSC) - combines the document and information processing, accounts receivable and collections, and customer intake processes into a single business unit designed to collect revenue and process documents for the department and state agency partners.

Compliance, Valuation and Resolution (CVR) - administers audits and appraisals to ensure that tax paying entities are in compliance with the laws. The process is located throughout the state in seven regions to provide superior customer service. Regions 1-6 are located throughout the state and focus on individual and small businesses. Region 7 is located in Helena with a focus on large taxpayers and central taxes. This organization provides for enhanced customer service and improved efficiency in the department.

2 Agency Overview (continued)

Department Listings

General Information **444-6900**

	Process Lead	Sub Process Lead	Phone
Directors Office	Mary Bryson Dave Woodgerd	Howard Heffelfinger	444-6950
Tax Policy and Research	Judy Paynter	Mary Coster Larry Finch	444-6950
Policy and Performance Mgt.	Jeff Miller	Mike Alamia Cleo Anderson Steve Austin Russ Hyatt Donna O'Neil	444-6950
Information Tech.	Mike Boyer	Mike Zahn Parnell Eidum Steve Tesinsky	444-9600
Resource Mgt.	Lynn Chenoweth	Rodger Nordahl Nick Ranalli Duane Grimes Robert Yost Shauna Bingham	444-6950

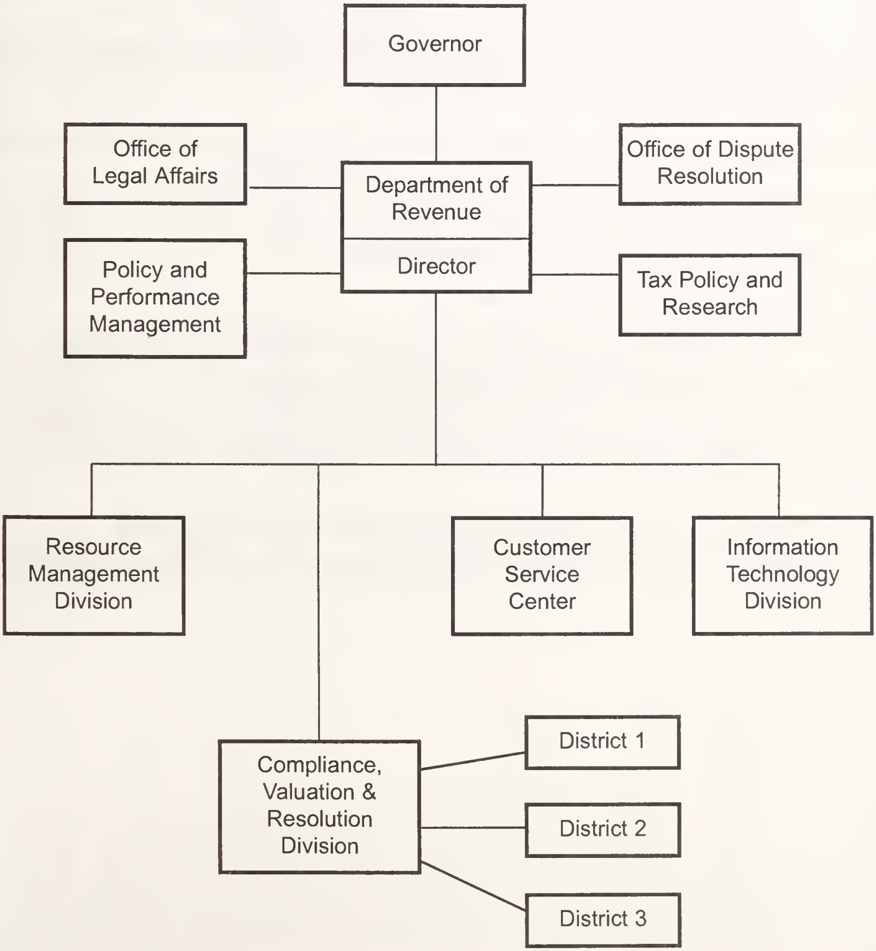
Customer Service Center

	Process Lead	Sub Process Lead	Phone
Customer Intake	Neil Peterson	Lee Baerlocher	444-6900
Document and Information Processing	Neil Peterson	Reed Knudson	
Accounts Receivable and Collections	Neil Peterson	Rochelle Stewart	

Compliance, Valuation & Resolution

	Process Lead	Sub Process Lead	Phone
Central Region (7) - Helena	Don Hoffman	Gene Walborn	444-6900
Region 1 - Kalispell	Randy Wilke	John Grimm	
Region 2 - Great Falls	Don Hoffman	Chuck Pankratz	
Region 3 - Glasgow	Dolores Cooney	Myron Malnaa	
Region 4 - Missoula	Randy Wilke	Jim Fairbanks	
Region 5 - Bozeman	Dolores Cooney	Vacant	
Region 6 - Billings	Dolores Cooney	Doug Peterson	

Department of Revenue Organizational Chart



4 Tax Structure

Universal Guiding Principles for Taxation

Sound tax policy should be driven by fundamental, underlying principles of taxation. Currently, Montana does not formally have any universal principles for taxation to guide policymakers and lawmakers in establishing revenue and tax policies. The implementation of universal guiding principles would provide a conceptual framework for policymakers, lawmakers, and the citizens of Montana to measure the performance and quality of our state tax structure with regard to revenue and tax policy and promote stability and consistency in tax laws.

We will be faced with many issues and proposals regarding tax reform during the upcoming legislative session. Current and future efforts to reform Montana's tax system should be founded in principles of tax policy that are appropriate to the specific circumstances and needs of our state.

Following, are seven universal guiding principles for taxation. We believe these principles would provide a good foundation to policymakers and lawmakers for developing revenue and tax policy.

Taxation should be:

Stable - produce adequate and relatively constant revenue

Equitable - treat individuals and businesses fairly

Economically Neutral - does not interfere with private economic decisions in the marketplace

Simple - easy for taxpayers to understand and minimizes compliance costs

Complementary - all economic activity and wealth contribute proportionally to support government services, and there is an appropriate funding relationship between state and local taxing jurisdictions

Balanced - rely on a diverse and broad based range of revenue sources and tax types

Accountable - tax law should be explicit, not hidden; proposals for change should be well publicized to stimulate debate

DEPARTMENT OF REVENUE STATE COLLECTIONS -- FISCAL YEARS 1994 - 1998

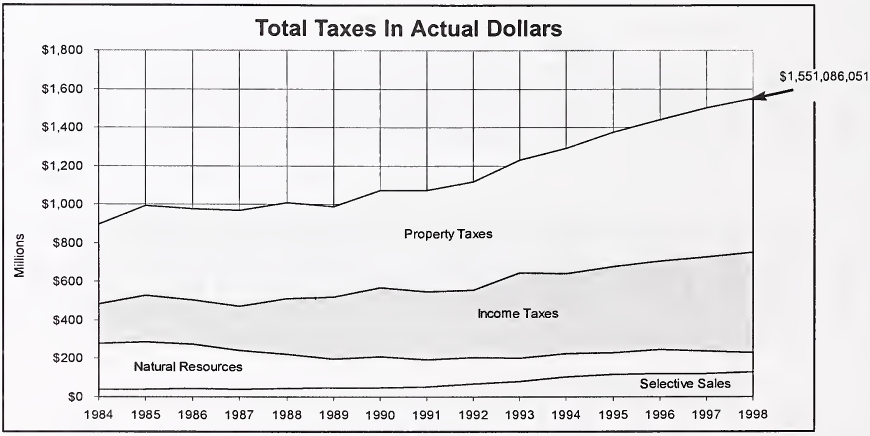
	1994	1995	1996	1997	1998
Individual Income Tax					
Income Tax Withheld	$ 265,035,584	$ 270,270,935	$ 278,399,600	$ 313,213,643	$ 338,489,478
Income Tax All Other	80,607,819	101,822,685	104,692,012	93,062,097	105,671,251
Subtotal	345,643,403	372,093,620	383,091,612	406,275,740	444,160,729
Corporation Tax					
Corporation License Tax	68,871,909	75,519,940	75,761,891	81,999,138	77,928,498
Natural Resource Taxes (State)					
Coal Severance Tax	41,187,973	40,416,167	36,260,949	37,740,212	35,045,243
Oil Severance Tax	11,125,518	11,682,795	11,417,361	0	0
Natural Gas Severance Tax	1,163,071	937,206	1,412,006	0	0
Oil and Gas Producer's P&L Tax	578,997	630,851	825,583	0	0
Oil and Gas Production Tax	0	0	0	16,004,744	11,185,290
Resource Indemnity Trust Tax	2,902,242	2,860,826	3,351,177	1,345,199	1,379,111
Metalliferous Mines License Tax	6,229,683	5,259,335	6,941,131	4,648,564	3,977,699
Subtotal	63,187,484	61,787,180	60,208,207	59,738,719	51,587,343
Other Taxes, Licenses and Services					
Unemployment Insurance Tax	55,964,102	62,067,622	62,465,253	62,735,866	62,976,826
Old Fund Liability Tax	41,771,588	47,117,118	45,254,475	49,770,930	52,650,637
Inheritance Tax (Net)	10,885,745	15,382,449	15,404,110	14,562,382	15,726,605
Cigarette Tax	12,495,504	13,114,640	12,969,137	13,267,374	13,244,550
Accommodations Tax	8,348,996	8,684,736	9,197,924	9,509,673	10,008,143
Nursing Facility Bed Tax	4,739,833	6,364,377	6,579,620	6,572,123	6,200,413
Telephone License Tax	6,835,201	4,800,861	5,711,933	6,045,081	5,773,341
Electrical Energy Tax	3,728,365	3,885,910	3,520,407	3,849,052	4,401,728
Emergency Telephone 911 System	1,249,373	1,400,989	2,100,359	1,719,562	3,666,571
Contractor's Gross Receipts Tax	964,193	1,192,445	1,621,441	1,963,791	2,290,944
Public Service Regulation Tax	2,455,541	2,498,410	1,915,092	1,780,150	2,154,289
Rail Car Tax	66,530	691,978	780,125	6,309,000	2,054,244
Unclaimed Property	1,094,511	1,518,264	1,272,859	1,240,407	1,831,638
Tobacco Products Tax	1,328,908	1,446,101	1,579,547	1,702,313	1,801,084
Consumer Counsel Tax	353,252	819,133	815,801	781,279	779,809
Telecommunications Service Fee	492,087	657,927	598,763	683,717	728,017
Other	140,188	168,609	217,697	200,817	188,126
Subtotal	152,913,917	171,811,569	172,004,543	182,693,517	186,476,965
Liquor Taxes, Profits and Licenses					
Liquor Profits and Licenses	9,115,412	9,361,480	11,191,611	10,260,292	11,394,940
Liquor, Beer, and Wine Taxes	10,925,118	10,899,033	12,094,518	11,074,324	11,441,819
Subtotal	20,040,530	20,260,513	23,286,129	21,334,616	22,836,759
TOTAL COLLECTIONS	$ 650,657,243	$ 701,472,822	$ 714,352,382	$ 752,041,730	$ 782,990,294

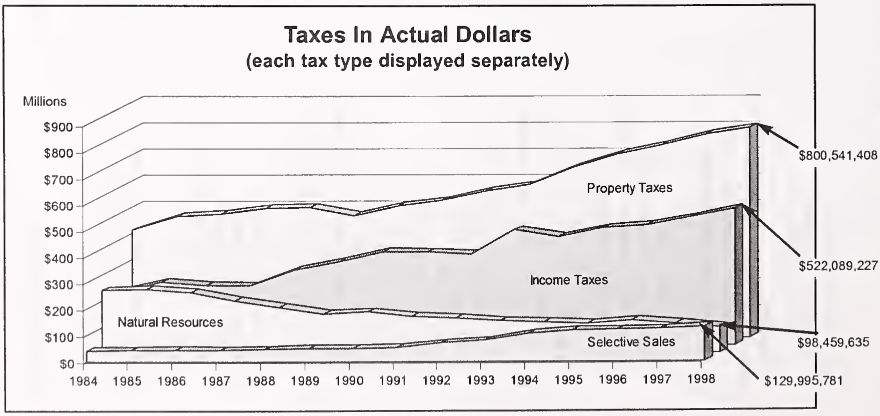
Source SBAS Report 635.
On January 1, 1996, all state and local oil and gas taxes were combined into the Oil and Gas Production Tax. Because the consolidation took effect in the middle of a fiscal year, figures are combined for old law and current law FY96 collections. Also, a portion of the new Oil and Gas Production Tax is allocated to local governments, those collections are detailed in the Natural Resource Tax section of this report

6 Tax Structure

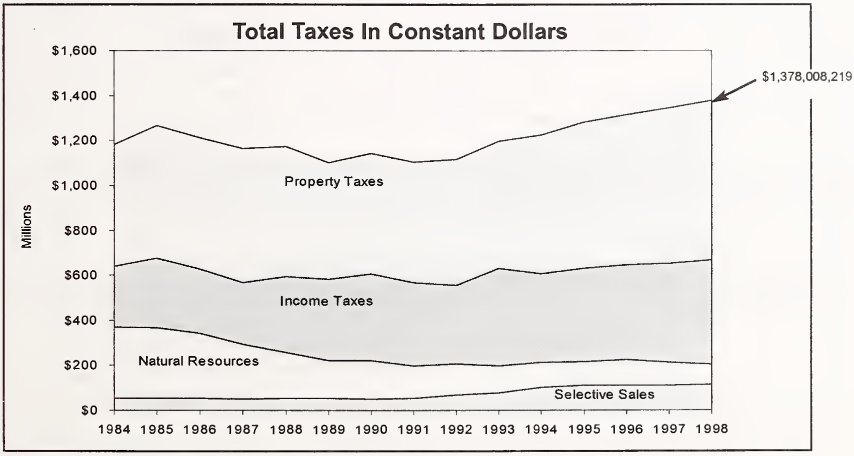
The six charts included on this page and the following two pages provide a pictorial overview of Montana's general tax structure, and show how that structure has changed over time. For most states, the tax structure is typically characterized as a "three-legged stool" consisting of income, property, and sales taxes. In Montana, the sales tax leg of this typical tax structure is comprised of natural resource taxes (e.g., coal, oil, and natural gas severance taxes) and selective sales taxes (e.g., cigarette and alcoholic beverage taxes). Income taxes include taxes levied on corporations as well as individuals; property taxes include state and local property tax levies.

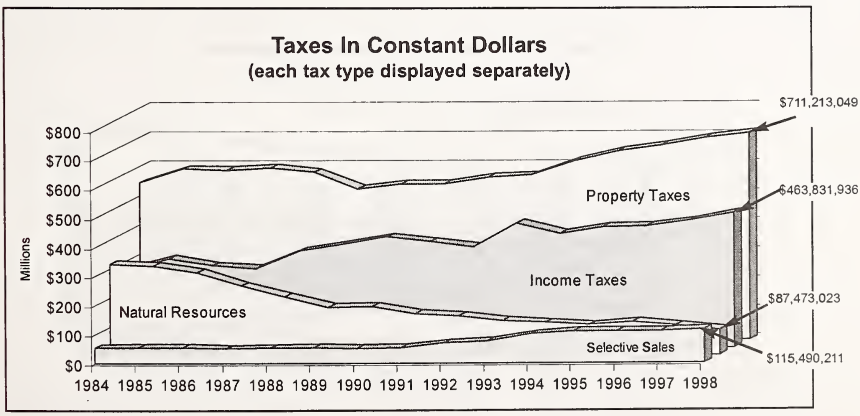
The first two charts show the change in taxes over time in *actual* dollars. These are dollars unadjusted for any effects due to inflation. The first of these two charts shows the growth in total taxes; the second chart shows how each component of this total has changed over time.





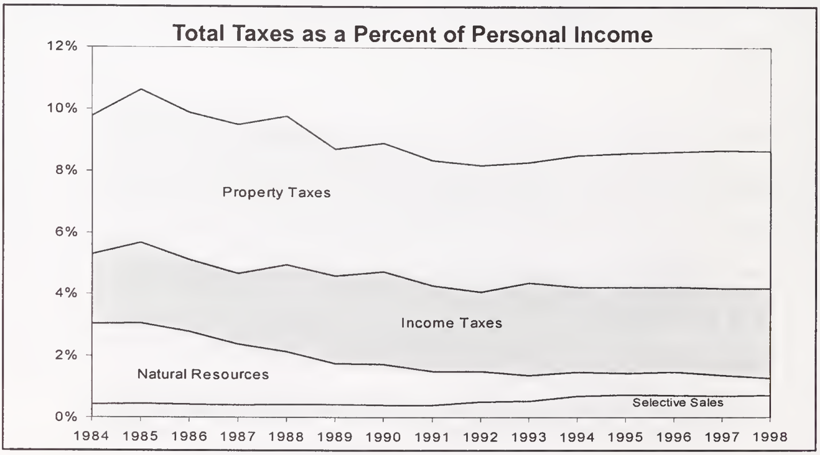
The next two charts show the change in taxes over time in constant 1992 dollars. These dollars, often referred to as "real" dollars, have been adjusted to remove the effects of inflation. Again, two charts are provided; the first to show the change in total real taxes, the second to show the change in each component of the tax structure.

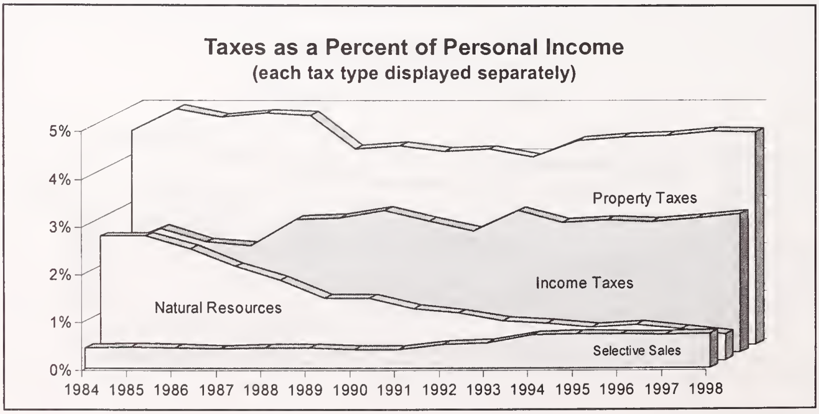




8 Tax Structure

The third set of charts shows actual taxes as a percent of Montana total personal income (TPI). These charts can be viewed as a general reflection of the share of total economic activity consumed by taxes in each year. Since 1984, total taxes as a percent of personal income have been as high as 10.78% in 1985, and as low as 8.29% in 1992.





OVERVIEW OF TAX

Montana's Individual Income Tax was enacted in 1933 and continues to this day to be the largest source of state tax revenue. The state's income tax is viewed as a "progressive" tax system because of the distribution of tax burden and because income is taxed according to a graduated rate structure with rates ranging from 2% to 11% of taxable income.

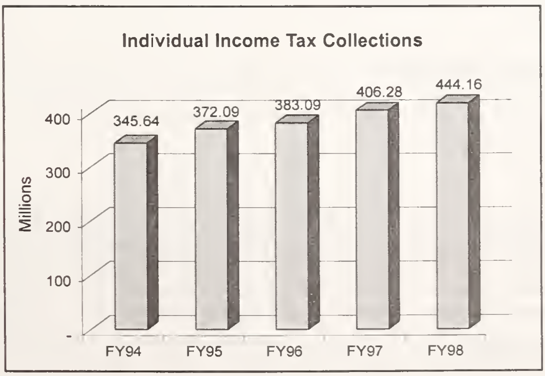
Probably the most significant feature of Montana's income tax is the substantial reliance on the federal tax code. Often described as a "tie to federal", this alignment allows the state to establish the essential elements of this tax system by direct reference to federal definitions of income and deductions and federal reporting procedures and protocol. This reliance is common among the 43 other states imposing individual income taxes. Most importantly, this approach allows both the State and its taxpayers to realize significant operating efficiencies. Without this parallel structure, Montanans would face increased complexity and substantially higher compliance costs.

The income tax statutes do, however, reflect Montana-specific tax policy as determined by previous legislative assemblies. These policy directives are found in the areas of additions and reductions to Montana adjusted gross income, unique itemized deductions, and tax credits. Details relating to these unique features is presented in the following pages.

Income tax revenues are primarily collected through employer withholding, periodic estimated tax payments, and payments made when the return is filed. Income tax revenues are distributed 100% to the general fund.

Income Tax Collections

FY 94	FY 95	FY 96	FY 97	FY 98
$ 345,643,403	$ 372,093,620	$ 383,091,612	$ 406,275,740	$ 444,160,729



CALCULATION OF TAX

TOTAL INCOME

Total income includes salaries and wages, interest and dividends, state refunds, alimony, net business income, capital gain income, pension income, rents and royalties, net farm income, unemployment compensation, social security benefits and any other miscellaneous income.

Less Adjustments To Income:

Student Loan Interest
IRA/Keogh Deductions
Self-Employment Taxes (50%)
Self-Employment Insurance Deductions
Alimony Paid
Moving Expenses

EQUALS: FEDERAL ADJUSTED GROSS INCOME (FAGI)

Plus *Additions* and Less *Subtractions* to arrive at Montana Adjusted Gross Income:

Additions:

Non-Montana Bond Interest Income
Federal Tax Refunds
Other Additions

Subtractions:

40% Capital Gain Exclusion
Elderly Interest Exclusion
U.S. Savings Bond Interest Exclusion
State Tax Refunds Included in FAGI
Exempt Pension and Annuity Income
Unemployment Benefits
Tip Income
Medical Savings Account
First Time Homebuyers Savings Account
Family Education Savings Account
Other Reductions

EQUALS: MONTANA ADJUSTED GROSS INCOME

Less Itemized Deductions or Standard Deduction
Less Personal Exemptions

EQUALS: MONTANA TAXABLE INCOME

Times Tax Table

EQUALS: TAX BEFORE CREDITS

Less Credits:

Out-of -State credit, Planned Gift credit, Rural Physician credit, Contractor's Gross Receipts credit, Geothermal Energy Systems credit, Recycling credit, Energy Conservation credit, Capital Company credit, College Contribution credit, Dependent Care credit, Investment credit, Elderly Care credit, Wind-Powered Generation Equipment credit, Alternative Fuel credit, Health Insurance for uninsured Montanans credit, Infrastructure Users Fee credit, Preservation of Historical Buildings credit, and Elderly Homeowners credit

EQUALS: TAX AFTER CREDITS

RECENT LEGISLATIVE CHANGES

Montana First Time Homebuyers Savings Account
Qualifying taxpayers may exclude from income up to $3,000 per year for contributions made to savings accounts established specifically to pay expenses associated with the purchase of a first home, and any interest earned on the account.

Tax Credit for the Preservation of Historic Buildings
Taxpayers may claim a credit for expenditures made in relation to the preservation of certain historic buildings located in Montana.

Old Fund Liability Tax
Effective December 31, 1998, the Old Fund Liability Tax (OFLT) will no longer be levied due to sufficient funds in the account. The tax initially went into effect, on July 1, 1993, to pay the unfunded liability of the old portion of the State Workers' Compensation Fund.

Planned Gift (Endowment) Credit
State law provides for a tax credit for "planned gifts" by individuals and other gifts by corporations and estates made to "qualified endowments". The taxpayer is allowed a nonrefundable credit equal to 50% of the present value of the gift, with a maximum credit of $10,000 allowed in any given tax year. The credit cannot be taken on any portion of the gift also used as a deduction under other sections of law. Also, no carryback or carry forward of the credit is allowed.

Elderly Homeowner/Renter Credit
This law allows a credit for a portion or all of a person's property taxes or rent paid. This credit can be applied to the taxpayer's state income tax liability, or taken as a direct refund where returns are not required to be filed. To be eligible the person must be at least 62 years old, have gross household income less than $35,000, reside in Montana for 9 months or more during the year, and occupy a Montana residence as an owner or renter for more than 6 months of the year. The maximum credit is $1,000.

Family Education Savings Account
Taxpayers may contribute up to $3,000 per year to an individual trust or savings account to pay qualified higher education expenses for a designated beneficiary. Participants must make contributions in cash and complete an application prescribed by the Montana Board of Regents. Qualified withdrawals may be made only by check payable jointly to the designated beneficiary and a higher education institution. A penalty of 10% is imposed on any nonqualified withdrawal.

Medical Savings Account
This account can be administered by an account administrator that is registered with the Department of Revenue or self administered by the taxpayer. The maximum deduction allowed per taxpayer from Montana adjusted gross income is $3,000 plus interest the account accumulates. Eligible medical expenses cannot be deducted elsewhere on the tax form.

Medical Insurance Premium
State law provides for a full deduction for insurance premium payments for medical care covering the taxpayer, the taxpayer's dependents, and the taxpayer's parents and grandparents. A full deduction for premium payments for long-term care insurance policies for the benefit of the taxpayer, the taxpayer's dependents, or the taxpayer's parents and grandparents is also allowed.

Child's Income Exclusion
If you file federal form 8814 (Parent's Election to Report Child's Interest and Dividends), you may exclude from income the amount reported as "Form 8814" income on the "Other Income" line of your federal return.

ELECTRONIC TAX REPORTING FOR EMPLOYERS AND INDIVIDUALS

In this era of "reduced costs/improved service," the Montana Department of Revenue increasingly relies on electronic commerce for financial reporting. Before we can talk about electronic commerce, we need to understand what it is and how it works.
A few terms are helpful...

Electronic Commerce (EC)
The realm of technology available to communicate electronically in the business setting.

Electronic Data Interchange (EDI)
The electronic transmission of information from one computer to or through multiple computers to another computer.

Electronic Funds Transfer (EFT)
An electronic remittance, including the transmission of information to ensure the debit/credit of appropriate accounts, which results in payment of a bill, tax, etc..

Electronic Tax Reporting for Employers (ETR)
The combination of EDI and EFT specific to the filing of employer tax returns.

Electronic Filing for Individuals (E-file)
Electronic data interchange specific to the filing of individual income tax returns.

Automated Clearing House (ACH)
Many electronic fund transfer transactions are processed and transmitted via an automated clearing house which provides enabling services such as paperwork processing, error tracking, etc. The National Association of Clearing House Administrators (NACHA) has developed transmission standards for users.

The Department is currently involved in a number of projects using electronic commerce:

Electronic Tax Reporting for Employers (ETR)
Electronic Tax Reporting consists of both the electronic filing of a return (EDI) and the electronic payment of the tax (EFT). ETR is accomplished through either an ACH credit or ACH debit. An ACH credit occurs when the taxpayer contacts his/her own bank to initiate a funds transfer. Included with the money is an information record which acts as the remittance advice. Under the ACH debit option, the taxpayer sends the electronic file directly to the Department. The file consists of the remittance information and authorizes the department to withdraw a specific amount of money from the taxpayer's bank account. These banking transactions are easily automated, requiring very little human intervention.

Electronic Filing For Individuals (E-file)
The Montana Department of Revenue can accept electronically filed income tax returns from resident, part-year, and nonresident taxpayers in a joint project with the Internal Revenue Service. Taxpayers who file electronically

with the IRS can have the information sent to the Department as well. The information is received by the Department electronically, reformatted, and input directly into the income tax system. Direct deposit is available to those taxpayers due a refund.

Telefile for Individual Income Tax Returns

Individual income tax returns can be filed over the telephone. Taxpayers must be invited to participate in this program. Return information is entered using the telephone keypad. The Department can receive these filings 24 hours a day, seven days a week. The telefile computer does all the calculations and provides the taxpayer with a confirmation number. As with e-file, direct deposit is also available. Since January 1, 1997 the department has processed 32,855 returns with telefile.

Benefits of Electronic Commerce

The benefits to the department are tremendous. These programs lessen the strain on current operations. Labor intensive, error prone manual processes are reduced. Electronic filing eliminates the need for opening envelopes and extracting information, manual sorting, data entry, error correction, and document storage and retrieval. In addition, electronic payment eliminates the need for a cashiering function.

Taxpayers benefit through the ease in filing and receiving their refunds in a timely manner. The programs have an acknowledgment process that is not included in paper return processing. The taxpayer receives notification (and peace of mind) that the department has accepted the return. On a larger scale, everyone benefits when government operates more efficiently and more cost effectively.

ELECTRONIC TAX REPORTING FOR EMPLOYERS

The Montana Department of Revenue showcased a new filing method in 1994. Employers filing state income tax withholding and the Old Fund Liability Tax can file and pay electronically.

Filings transpire via computer modem. Taxpayers simply dial the department and transmit the necessary information. While still on-line, they receive notice of acceptance, or a warning that an error exists. An error code indicates where the problem is and what is wrong. The entire process takes less than a minute.

Payment options for electronic tax reporting include both Automated Clearing House (ACH) credit and (ACH) debit. This is a significant advancement for the department. Until now, the only electronic payment allowed has been federal wire transfers.

Under the ACH *debit* method, the taxpayer authorizes the Department of Revenue to initiate the funds transfer. An additional line in the electronic filing contains the taxpayer's bank account numbers and the amount of withdrawal. The department collects this information in a file which US Bank will access to initiate the transfer.

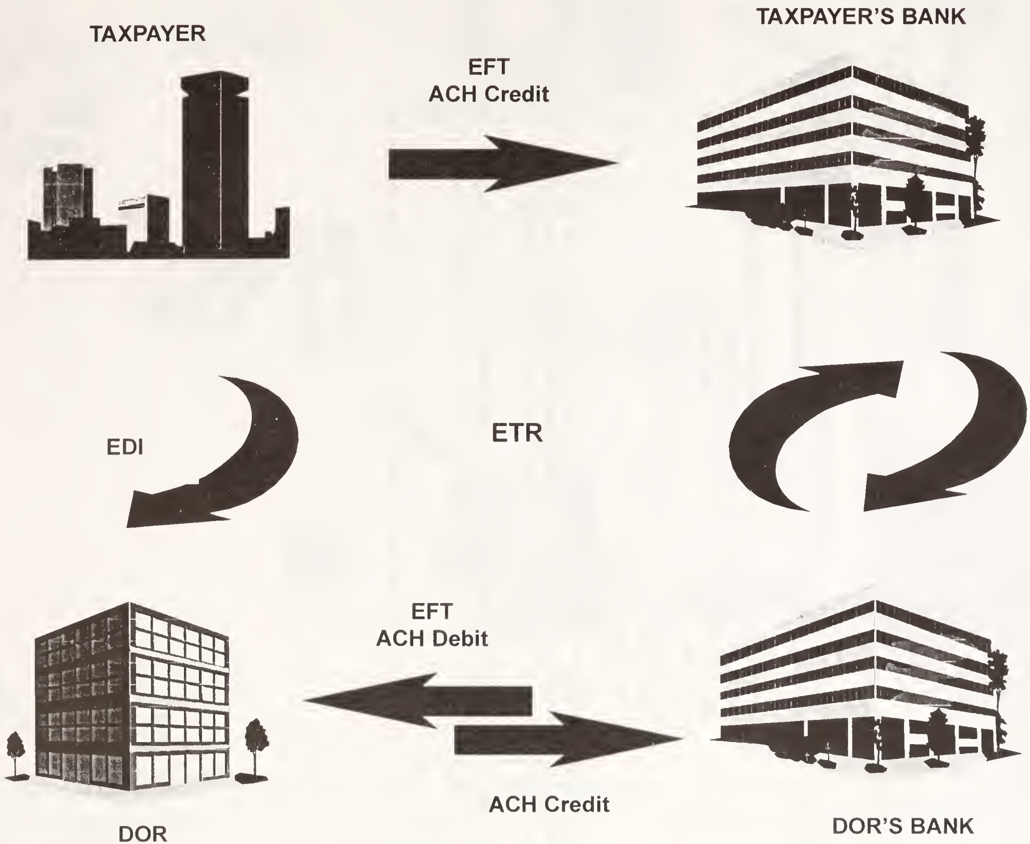
Under the ACH *credit* method, the taxpayer must contact his/her bank and initiate the transfer. US Bank accepts ACH credits which follow the guidelines set forth by the National Automated Clearing House Association, in a format commonly referred to as CCD+.

The benefits to the Department are tremendous. Electronic Tax Reporting (ETR) will reduce the strain on current operations. Mailroom, cashiering, data entry, document storage and error correction functions are all but eliminated under ETR.

Taxpayers benefit through the reduction of paper and the ease in filing. The two way communication provides instant notification of filing errors, before penalties and interest may accrue. Finally, there is peace of mind in knowing a filing has been accepted by the department.

On a larger scale, everyone benefits when government operates more efficiently and more cost effectively. A graphical representation of the systems is shown on the opposite page.

Electronic Tax Reporting For Employers



MONTANA/IRS ELECTRONIC FILING FOR INDIVIDUALS

For the past four years, the Montana Department of Revenue has accepted electronically filed income tax returns from resident taxpayers in conjunction with the Internal Revenue Service. The e-file system has been widely used, processing over 56,000 returns, since its start in 1995.

Electronic filing is the receiving, processing, archiving and retrieving of tax returns using electronic records.

A tax return is prepared on software that transmits the return through phone lines directly to the Internal Revenue Service in Ogden, UT. Then, the Department of Revenue retrieves the tax return information from the IRS and reformats it for their income tax mainframe computer system.

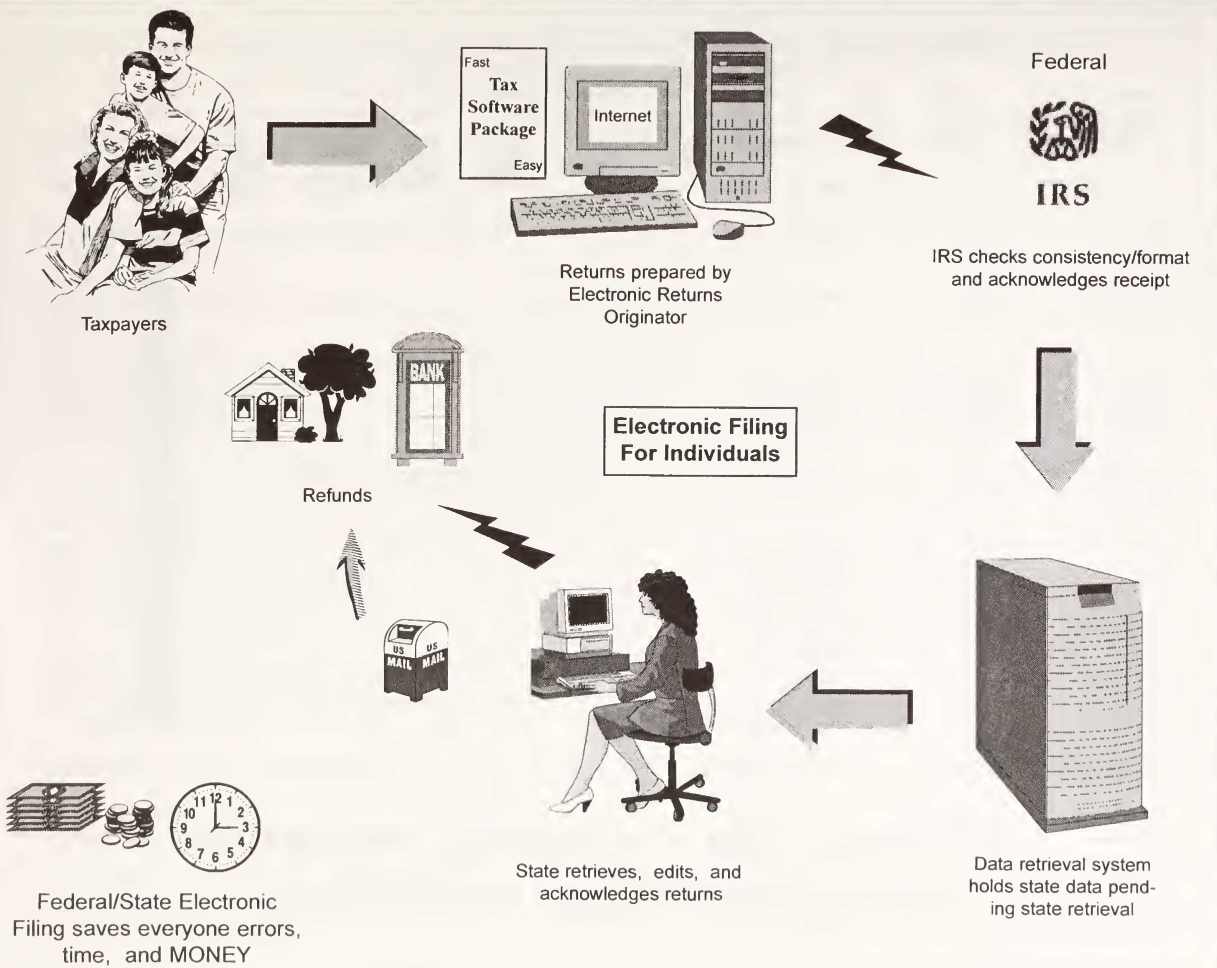
Electronic filing replaces the following traditional steps which are expensive, labor intensive, and error prone because of the numerous manual processes and human intervention involved:

* Receiving returns, opening envelopes, extracting, and counting,
* Sorting by type of return, numbering and batching
* Manual coding and editing for computer processing
* Data entry
* Correcting certain errors (Error Resolution System)
* Operational controls and tracking
* Cost of mailing refunds

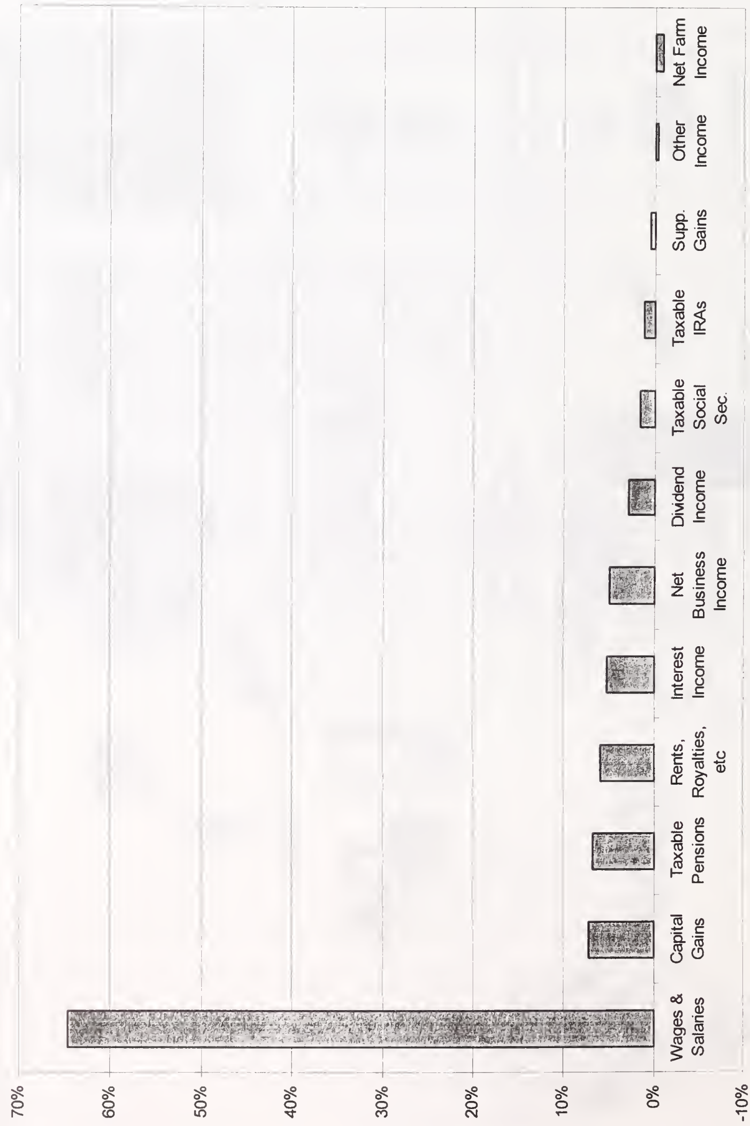
Electronic filing (E-file) automates the manual processes listed above. E-file also has an acknowledgment process that's not included in manual return processing which informs the taxpayer that the return has been received by the Department of Revenue (not lost in the mail) and is processable.

Because of the low error rate and the ability to view and correct the return on a screen display, a minimal amount of paper is needed. The entire e-file process is paperless when the taxpayer elects to receive a direct deposit refund.

For updated information please see our web site at: http://www.state.mt.us/revenue/rev.htm.


Taxpayers
Fast
Tax
Software
Package
Easy
Internet
Returns prepared by
Electronic Returns
Originator
Federal
IRS
IRS checks consistency/format
and acknowledges receipt
Electronic Filing
For Individuals
BANK
Refunds
US MAIL
Data retrieval system
holds state data pend-
ing state retrieval
State retrieves, edits, and
acknowledges returns
Federal/State Electronic
Filing saves everyone errors,
time, and MONEY

Components Of Reported Income
(Full-Year Residents - 1997 Returns)



Reconciliation of Total Income From All Sources (Federal) and Montana Taxable Income
Full-Year Residents - 1997 Tax Year

Item of Information	Line	Total Reported	Number of Returns	Average Per Return
TOTAL INCOME FROM ALL SOURCES (FEDERAL)	**18**	**$11,216,728,665**	**451,944**	**$ 24,819**
IRA, keogh, moving exp., self-emp. tax/health insurance, etc.	19	163,389,699	80,680	2,025
TOTAL FEDERAL ADJUSTMENTS	19	163,389,699	80,680	2,025
FEDERAL ADJUSTED GROSS INCOME	**20**	**$ 11,053,338,966**	**451,884**	**$ 24,461**
MONTANA ADDITIONS:				
Interest on non-Montana state/local gov't bonds	21	$ 49,150,641	17,870	2,750
Federal income tax refunds	22	120,913,263	94,077	1,285
Other additions, transfer allocations	23	137,180,592	19,053	7,200
TOTAL ADDITIONS	24	307,244,496	119,853	2,564
FEDERAL ADJ. GROSS INCOME PLUS ADDITIONS	25	$ 11,360,583,462	452,003	$25,134
MONTANA REDUCTIONS:				
Capital gains exclusion for pre-1987 installment sales	26	$ 4,516,618	1,936	$ 2,700
Interest exclusion for elderly	27	46,684,634	60,035	778
Interest exclusion for U.S. savings bonds	28	88,800,195	40,863	2,173
Exempt retirement income	29	156,850,129	43,460	3,609
Unemployment Compensation	30	48,410,392	26,130	1,853
Medical Savings Account	31	1,626,685	894	1,820
Family Education Savings Account	32	33,423	73	458
Other reductions, transfer allocations, recycling of materials	33	358,572,990	112,644	3,183
TOTAL REDUCTIONS	34	705,495,066	197,031	3,581
MONTANA ADJUSTED GROSS INCOME	**36**	**$ 10,655,088,396**	**449,599**	**$ 23,699**
STANDARD DEDUCTIONS	37	$ 449,505,163	190,332	$ 2,362
ALLOWABLE ITEMIZED DEDUCTIONS	37	$ 2,971,430,042	253,243	$ 11,734
EXEMPTION VALUE (1,550 per exemption claimed)	39	$ 1,299,726,120	452,703	$ 2,871
MONTANA TAXABLE INCOME	**40**	**$ 6,610,293,198**	**380,967**	**$ 17,351**

1997
MONTANA INCOME TAX ANALYSIS
SUMMARY OF
ITEMIZED DEDUCTIONS FOR FULL-YEAR RESIDENTS

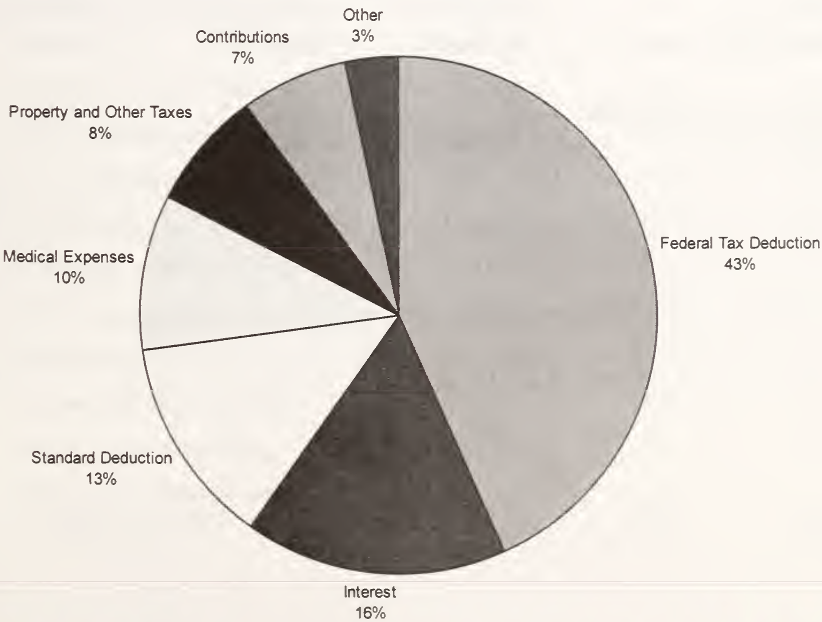
ITEM	TOTAL AMOUNT	# OF RETURNS	AVERAGE PER RETURN
MEDICAL INSURANCE PREMIUM	$ 173,487,081	99,252	$ 1,748
MEDICAL AND DENTAL	$ 147,139,515	56,239	$ 2,616
LONG TERM CARE INSURANCE PREMIUM	$ 6,524,960	4,572	$ 1,427
FEDERAL TAX DEDUCTION			
Paid by Withholding or Est. Tax	$ 1,299,014,883	244,171	$ 5,320
Balance of 1996 Paid in 1997	165,549,077	65,648	2,522
Additional Taxes for other Years	18,769,487	5,607	3,348
Total	$ 1,483,333,447	315,426	$ 4,703
PROPERTY & OTHER TAXES			
Real Estate, Personal Property	$ 224,552,051	171,314	$ 1,311
Motor Vehicle & Other Taxes	34,249,703	102,839	333
Total	$ 258,801,754	274,153	$ 944
MORTGAGE INTEREST	$ 528,945,609	123,553	$ 4,281
INVESTMENT INTEREST	$ 30,533,093	10,034	$ 3,043
CONTRIBUTIONS	$ 228,778,274	159,388	$ 1,435
CHILD & DEPENDENT CARE	$ 1,861,625	1,418	$ 1,313
CASUALTY LOSSES	$ 4,298,471	526	$ 8,172
BUSINESS & OTHER EXPENSES	$ 102,371,719	45,914	$ 2,230
MISCELLANEOUS EXPENSES	$ 5,354,494	2,362	$ 2,267
TOTAL	$ 2,971,430,042		

Note: A return filed may have federal tax deductions on more than one line. Thus, one return can be counted twice when all lines are totaled.

DEDUCTIONS CLAIMED ON 1997 RETURNS
(Full-Year Residents - By Dollar Value)

Montana is tied by law to the same itemized deductions that are allowed under the federal law with one exception. Montana's one exception to the federal law is that state tax is not allowed as an itemized deduction.

In addition, Montana law allows other itemized deductions that are not allowed at the federal level. The additional itemized deductions allowed include: federal taxes paid, long-term care insurance, health insurance premiums, and child/dependent care expenses.



1997
MONTANA INCOME TAX ANALYSIS
ALL TAXPAYERS
COMPARISON OF ITEMIZED VS. STANDARD FILERS

ITEM	STANDARD	ITEMIZED	TOTALS
Number of Returns	212,390	285,071	497,461
Percent	42.69%	57.31%	
Total Deductions	$510,048,436	$5,575,227,821	$6,085,276,257
Average Deduction	$2,401	$19,557	
Taxable Income	$1,756,461,974	$14,382,225,850	$16,138,687,824
Average Taxable Income	$8,269.98	$50,451.38	
Deduction as a Percentage of Taxable Income	29.04%	38.76%	

1997
MONTANA INCOME TAX ANALYSIS
SUMMARY OF
INCOME TAX CREDITS FOR FULL-YEAR RESIDENTS

ITEM	TOTAL AMOUNT	# OF RETURNS	AVERAGE PER RETURN
Rural Physician Credit	$ 272,403	72	$ 3,783
College Contribution Credit	$ 110,254	1,797	$ 61
Charitable Endowment Credit	$ 1,303,654	378	$ 3,449
Elderly Care Credit	$ 21,810	42	$ 519
Other State/Foreign Credits	$ 8,360,377	8,675	$ 964
Contractor's Gross Receipts Credit	$ 443,485	194	$ 2,286
Investment Credit	$ 131,771	109	$ 1,209
Non-Fossil Fuel System Credit	$ 61,841	329	$ 188
Energy Conservation Credit	$ 120,686	1,609	$ 75
Wind-Powered Generation Credit	$ 2,940	54	$ 54
Recycling Credit	$ 99,146	44	$ 2,253
Alternative Fuels Credit	$ 4,578	4	$ 1,145
Capital Company Credit	$ 143,640	10	$ 14,364
Dependent Care Assistance Credit	$1,205	3	$ 402
Employee Health Insurance Credit	$ 17,927	33	$ 543
Infrastructure Users Fee Credit	$ 60	1	$ 60
Elderly Homeowner/Renter Credit			
Filed with Tax Returns	$ 5,247,856	11,849	$ 443
Filed Separately	$ 3,368,729	8,339	$ 406

Montana Income Tax Analysis
Effective Tax Rate by Decile Group
Full-Year Resident Taxpayers - Tax Year 1997

Decile Group*	Montana Adjusted Income Range			Gross Income	Total Tax Liability	Returns In Bracket	Percent of Total	Average Tax Per Taxpayer	Effective Tax Rate**
1	0	-	$2,953	($ 180,055,621)	22,753	44,270	10%	$ 0.51	NA
2	$2,954	-	$5,965	201,244,861	1,152,404	44,270	10%	26.03	0.57%
3	$5,966	-	$9,141	341,121,864	3,763,110	44,270	10%	85.00	1.10%
4	$9,142	-	$12,568	490,376,726	7,392,252	44,270	10%	166.98	1.51%
5	$12,569	-	$16,393	653,623,257	12,638,084	44,270	10%	285.48	1.93%
6	$16,394	-	$20,859	839,483,085	19,955,747	44,270	10%	451.68	2.38%
7	$20,860	-	$26,475	1,065,412,595	29,592,858	44,270	10%	668.46	2.78%
8	$26,476	-	$34,111	1,363,077,911	43,363,824	44,270	10%	979.53	3.18%
9	$34,112	-	$46,656	1,793,295,652	62,890,128	44,270	10%	1,420.60	3.51%
10	$46,657		and over	4,087,508,066	218,149,802	44,273	10%	4,927.38	5.34%
Total				**$10,655,088,396**	**$ 398,960,963**	**452,703**	**100%**	**$ 881.29**	**3.74%**

* Each decile group includes one-tenth of all returns filed. The first group includes returns with the very lowest incomes, while the last group includes returns having the highest incomes. ** Effective tax rate is defined as tax liability divided by gross income. It measures the percent of gross income paid in income tax.

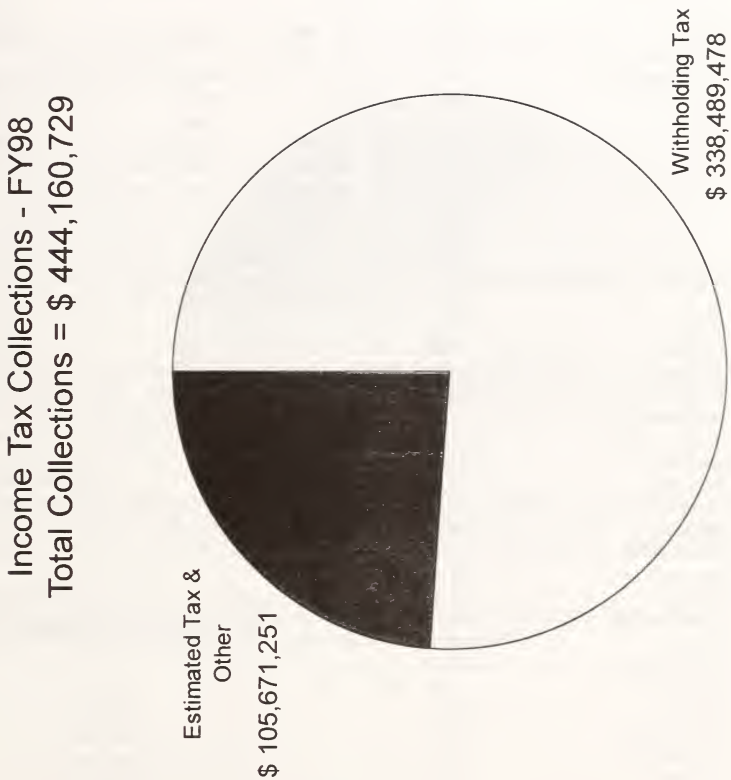
WITHHOLDING TAX

The majority of revenue collected by the state is through state income tax withholding. This money is withheld from employees' wages and remitted to the state by employers. The amount of money withheld from an employee's wage is determined by Montana's withholding tax rates, the number of allowances and the length of the payroll period.

The withholding tax rates are based on yearly forecasts of a person's wages to determine the amount of income tax the employee will owe and the employer should withhold. There are different withholding tax rates depending on how often a person is paid. The state's goal in establishing withholding rates is to keep the number of refund returns between 55% and 57%. The other factor that contributes to the amount of tax withheld is the number of dependents the employee claims. This factor is controlled by the employee unless the state feels it is unreasonable.

Percentage of Refund Returns and Average Refund

Calendar Year	Total Returns Processed	Number of Refund Returns	Percentage Refund Returns	Average Refund
1992	388,842	223,040	57%	$232.21
1993	405,807	232,399	57%	$278.33
1994	408,843	225,801	55%	$334.52
1995	421,180	246,505	58%	$338.23
1996	433,105	261,034	60%	$341.24
1997	437,443	268,616	61%	$361.37


Income Tax Collections - FY98
Total Collections = $ 444,160,729
Withholding Tax
$ 338,489,478
Estimated Tax &
Other
$ 105,671,251

Individual Income Tax - State Comparisons

Comparisons of Individual Income Tax Burdens
Taxes per $1,000 of Personal Income (PI)
All States - Tax Year 1997

Rank	State	Tax Per $1,000 PI
1	Oregon	41.36
2	Minnesota	38.06
3	Massachusetts	37.24
4	Wisconsin	35.87
5	Hawaii	31.61
6	New York	31.47
7	North Carolina	31.47
8	Delaware	31.23
9	Idaho	28.72
10	Maine	28.15
11	Kentucky	27.31
12	California	27.14
13	Indiana	27.10
14	Utah	26.80
15	Virginia	26.56
16	Georgia	26.32
17	Iowa	26.10
18	Michigan	25.62
19	Maryland	25.54
20	Arkansas	25.23
21	Rhode Island	25.15
22	Oklahoma	24.90
23	South Carolina	24.77
24	**Montana**	**24.66**
25	Colorado	24.31
26	Kansas	23.91
27	Nebraska	23.77
28	Connecticut	23.68
29	Vermont	23.44
30	Missouri	23.43
31	West Virginia	22.84
32	Ohio	22.26
33	New Mexico	22.07
34	Alabama	18.75
35	Illinois	18.74
36	New Jersey	18.35
37	Pennsylvania	17.80
38	Louisiana	17.34
39	Arizona	16.38
40	Mississippi	15.85
41	North Dakota	12.57
42	New Hampshire	1.60
43	Tennessee	1.04

Source: State Gov't Tax Collections: 1997, Bureau of the Census

Regional Ranking

Rank	State	Tax Per $1,000 PI
1	Oregon	41.36
2	Idaho	28.72
3	Utah	26.80
4	**Montana**	**24.66**
5	North Dakota	12.57

States With No Income Tax

Alaska
Florida
Nevada
South Dakota
Texas
Washington
Wyoming

OVERVIEW OF TAX

The corporation license tax is a franchise tax levied on corporations for the privilege of doing business in Montana. The rate of the tax is 6.75% and is calculated on net income earned in Montana. There is a minimum tax of $50. However, if a corporation has no property, payroll, or sales in Montana during the tax period, they are excluded from the minimum payment. All Montana corporations must file a tax return even if they are excluded from the minimum payment. Corporations electing to file as a subchapter S-Corporation for Federal income tax purposes must also file as an S-corp for Montana Corporation License Tax purposes. Montana S-corps are required to file form CLT-4S. The income of the S-corp will then flow through to the individual shareholders' personal tax return and tax would be paid at the individual level.

In computing net income, gross income is the same as for federal corporate tax purposes. Allowable deductions include all ordinary and necessary business expenses, certain losses and depreciation of assets, resource depletion allowance, interest paid on business debts, taxes paid (except all taxes measured by net income or profits), certain charitable contributions, certain energy-related investments, and net operating losses.

Banks and savings and loan associations are treated, for corporate tax purposes, similar to other corporations, except that 80% of the tax they pay is returned to the counties in which the bank or savings and loan association is located. This allocation was designed to reimburse local governments for revenue lost when the property tax on bank shares was repealed in 1979.

Comparison Of Tax Rate With Other States

There are 43 states that have a similar tax. The schedule on page 30 shows the rates vary from a low of 3.4% to a high of 12%. Montana ranks 28th with a rate of 6.75%.

Filing Dates

The corporation license tax return is due on the 15th day of the 5th month following the end of the corporation's taxable year. Corporations may have an automatic 6 month extension to file their return if they so choose. Corporations which have a tax liability of $5,000 or more are required to make quarterly estimated tax payments on the fifteenth day of the 4th, 6th, 9th and 12th months of their tax year.

Penalties and Interest

If the tax is not paid on or before the due date of the return, there is assessed a penalty of 1% of the tax due, increasing by 1% for each 30-day period that the tax or any fraction of the tax remains unpaid, up to a maximum penalty of 25% of the tax due. Interest will accrue on unpaid tax at an annual rate of 12%. (MCA 15-31-545)

Revenue Distribution

Corporation tax revenue (other than financial institutions) is distributed 100% to the general fund. For financial institutions 80% is allocated to local governments and 20% to the general fund.

Corporation License Tax - Summary Data

Corporate Tax Returns
FY 1998 Returns Filed

Regular Corporations	16,898
S-Corporations	12,079
Total	28,977
Corporations paying the $50 Minimum Tax:	9,449
Corporations paying more than $50:	6,752
Corporations paying no Tax:	697
Total	16,898

Corporation Tax Revenue

Type	FY96	FY97	FY98
Non-Financial	$ 63,665,234	$ 68,613,383	$ 67,673,725
Financial	12,096,657	13,385,755	10,254,773
Total	$ 75,761,891	$ 81,999,138	$ 77,928,498
Financial Distributions To Counties	$ 9,677,325	$ 10,708,604	$ 8,203,818

Corporation License Tax Revenue
By Standard Industrial Classification
FY 1998

Major Industrial Group	Number of Corps.	Revenue
Agriculture	2,867	$ 4,332,233
Mining	786	1,958,660
Construction	1,284	3,069,179
Manufacturing	1,338	14,315,160
Transportation, Communications, & Utilities	766	16,072,333
Wholesale & Retail Trade	2,754	13,050,985
Finance, Insurance, & Real Estate	2,445	16,943,582
Services	3,123	4,120,527
No Grouping	1535	4,065,839
Total	16,898	$ 77,928,498

Percent Of Tax Paid By Top 100 Corporate Taxpayers

FY 1998	57.76%

Corporation License Tax - State Comparisons

Maximum State Corporation Tax Rates

Iowa*	12.00%	Arkansas*	6.50%
Connecticut	10.75%	Missouri	6.25%
North Dakota*	10.50%	Georgia	6.00%
Pennsylvania	9.99%	Oklahoma	6.00%
Minnesota	9.80%	Tennessee	6.00%
Massachusetts	9.50%	Virginia	6.00%
Alaska	9.40%	Florida	5.50%
California	9.30%	Alabama	5.00%
Arizona	9.00%	Colorado	5.00%
New Jersey	9.00%	Mississippi*	5.00%
New York	9.00%	South Carolina	5.00%
Rhode Island	9.00%	Utah	5.00%
West Virginia	9.00%	Kansas*	4.00%
Maine*	8.93%	Indiana	3.40%
Ohio*	8.90%		
Delaware	8.70%		
Kentucky*	8.25%		
Vermont*	8.25%		
Idaho	8.00%		
Louisiana*	8.00%		
Wisconsin	7.90%		
Nebraska*	7.81%		
North Carolina	7.75%		
Illinois	7.30%		
New Mexico*	7.60%		
New Hampshire	7.00%		
Maryland	7.00%		
Montana	**6.75%**		
Oregon	6.60%		

No Corporation Income Tax

Hawaii
Michigan**
Nevada
South Dakota
Texas**
Washington**
Wyoming

*States with a graduated rate corporation income tax. Highest rate is shown.
**States have an alternative form of corporation tax not necessarily based on income.

Source: 1997 Multistate Corporate Tax Guide

Natural Resource Taxes 31

MONTANA TAXATION OF NATURAL RESOURCES

Historically, Montana has relied on its store of natural resource wealth as a primary source of tax revenue. So significant is this source of revenue, that it has been likened to the "third leg" of Montana's tax stool, supplementing the individual income and property tax as the three major sources of revenue in the state. However, it should be noted that FY1998 revenues from natural resource taxes have now dropped to less than one half of FY1987 collections.

This section discusses the characteristics of each of the different natural resource taxes in Montana. Generally, natural resource taxes may be categorized as either severance/license taxes, or some form of ad valorem (property) taxes. Details of the following taxes are provided in subsequent subsections. Information provided includes tax rates, filing requirements, disposition of the tax, production tax incentives, and recent revenue collections.

State Severance and License Taxes	Fiscal 1998 Collections
Coal Severance Tax	$35,045,243
Oil & Gas Production Tax (State Share)	11,207,910
Metalliferous Mines License Tax	3,977,699
Resource Indemnity and Groundwater Assessment Tax (RIGWAT)	1,379,111
Cement and Gypsum Taxes and Licenses	147,705
Electrical Energy Producer's License Tax	4,401,728
Total State Collections	$56,159,396

Local Government Ad Valorem and Severance Taxes	
Coal Gross Proceeds Tax	$12,543,909
**Oil & Natural Gas Production Tax (Local Government Share)	23,857,551
Metal Mines Gross Proceeds Tax (estimated)	3,099,270
Miscellaneous Mines Net Proceeds Tax (estimated)	2,568,247
Total Local Government Collections	$42,068,977

** FY 1998 Collections for the Oil & Gas Production Tax include the following amounts:

Pre-1985 Distribution - Oil	$10,961,827
Pre-1985 Distribution - Gas	4,355,843
Post-1985 Distribution - Oil	5,072,107
Post-1985 Distribution - Gas	3,467,774

COAL SEVERANCE TAX

Tax Rates (coal severance tax rates vary with heating quality and type of mining as follows):

Heating quality (BTU per pound)	Surface Mining	Underground Mining	Extended Depth Auger Mining
Under 7,000	10% of value	3% of value	7.5% of value*
7,000 and over	15% of value	4% of value	7.5% of value*

*The tax rate reduction for extended depth auger method of mining terminated June 30, 1997.

Value of Coal: The value of coal to which the severance tax is applied is the "contract sales price". The contract sales price is the price of coal extracted and prepared for shipment f.o.b. mine, less that amount required to pay production taxes. Production taxes include the state severance tax, resource indemnity and groundwater assessment tax (RIGWAT), local gross proceeds taxes, federal reclamation taxes, and the federal Black Lung Tax. The contract sales price also includes all royalties paid on production; however, with respect to royalties paid to federal and state governments, or Indian tribes, the contract sales price includes only 15 cents per ton.

Filing Requirements: Coal mine operators are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 30 days following the close of each calendar quarter).

Distribution of Coal Severance Tax Revenue

Coal Permanent Trust Fund	50.00%
General Fund	25.25%
Long Range Building Fund	12.00%
Local Impact Fund, etc.	8.36%
Parks Acquisition	1.27%
Renewable Resource Loan Fund	0.95%
Capitol/Arts Trust Fund	0.87%
Long Range Building Fund - Virginia/Nevada City	1.30%

Coal Severance Tax Collections

1994	39,624,883
1995	41,701,929
1996	36,520,051
1997	37,257,685
1998	35,999,797

The balance in the Coal Trust Funds as of June 30, 1998 was $618 million, and the interest income from the trust for fiscal year 1998 was $45 million.

Production Incentives: Persons producing less than 50,000 tons of coal in a year are exempt from severance tax. Persons producing in excess of 50,000 tons per year are exempt from severance tax on the first 20,000 tons produced. Effective calendar year 1995 a person is not liable for any severance tax upon the first 2,000,000 tons of coal produced as feedstock for an approved coal enhancement facility. This exemption terminates December 31, 2005.

OIL AND GAS PRODUCTION TAX (STATE SHARE)

The 1995 Montana Legislature found that the extraction taxes being paid on the production of oil and natural gas were exceedingly complex and confusing. Oil and natural gas producers were required to file several tax forms and to pay taxes at different times on the same production. The legislature found that it was in the best interest of the state and of the oil and gas producers to simplify the taxation of oil and natural gas. The legislature therefore replaced all existing extraction taxes on all oil and natural gas production with a single production tax based on the type of well and type of production. This tax has been effective since January 1, 1996.

	Working Interest	Royalty Interest
NATURAL GAS		
All taxable royalties		15.10%
Pre-1985 wells	18.85%	
Post-1985 wells:		
First 12 months	.80%	
Next 12 months	12.80%	
After 24 months	15.45%	
Stripper (wells that average less than 60 MCF/day)		
Pre and post 1985 wells	11.30%	
CRUDE OIL		
Primary Recovery:		
Pre-1985 wells	14.20%	17.20%
Post-1985 wells:		
First 12 months	.80%	15.10%
Next 12 months	7.80%	15.10%
After 24 months	12.80%	15.10%
Stripper (Wells that average less than 10 Bbls/day):		
Pre-1985 Wells:		
First 3 Bbls	5.80%	17.20%
Over 3 Bbls	10.80%	17.20%
Post-1985 Wells:		
First 3 Bbls	5.80%	15.10%
Over 3 Bbls	10.80%	15.10%
Horizontally Drilled:		
First 18 months	.80%	5.80%
Next 6 months	7.80%	12.80%
After 24 months	12.80%	12.80%
Incremental Production:		
Secondary Production:		
Pre-1985 Wells	8.80%	16.30%
Post-1985 Wells	8.80%	10.80%
Tertiary Production:		
Pre-1985 Wells	6.10%	15.30%
Post-1985 Wells	6.10%	9.80%
Recompleted Horizontal Production:		
Pre-1985 Wells	5.80%	5.80%
Post-1985 Wells	12.80%	12.80%

Value of Oil
Total gross value is computed as the product of the total number of barrels produced each month and the average well mouth value per barrel. Producers are allowed to deduct any oil produced that is used in the operation of the well.

Value of Gas
Total gross value is computed as the product of the total number of cubic feet produced each month and the average well mouth value per cubic foot. Producers are allowed to deduct any natural gas produced that is used in the operation of the well.

Exemptions
Royalties received by an Indian tribe with respect to on-reservation oil production pursuant to a lease entered into under the Indian Mineral Leasing Act of 1938, and all governmental royalties are exempt from taxation.

Filing Requirements
Oil and Natural Gas producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 60 days following the close of each calendar quarter).

Distribution of Oil and Gas Production Tax
The oil and gas production tax is distributed in the following manner:

Natural Gas: Approximately 15% of taxes collected from natural gas goes to support state government - 85% General Fund, 10.7% RITT, 4.3% Board of Oil and Gas. The remaining 85% of taxes collected are distributed as outlined in Oil and Gas Production Tax (Local Government Share).

Crude Oil: Approximately 45% of taxes collected from oil goes to support state government - 85% General Fund, 10.7% RITT, 4.3% Board of Oil and Gas. The remaining 55% of taxes collected are distributed as outlined in Oil and Gas Production Tax (Local Government Share).

Oil and Gas Production Tax Collections (State Share) FY1998

1994*	$12,867,586
1995*	$13,250,852
1996	$11,550,425
1997	$14,692,365
1998	$11,207,910

* These figures include the Oil Severance Tax, the Natural Gas Severance Tax and the Oil and Gas Privilege and License Tax, which were collected individually for FY 92 - FY 95.

Production Incentives
Incremental production from secondary and tertiary recovery projects and recompleted horizontal wells are taxed at reduced rates as shown on the previous page. These reduced rates apply when the average price for crude oil is less than $30 per barrel. Production from stripper wells is taxed at reduced rates as indicated above. The first 24 months of production from a well drilled after March 31, 1995 is taxed at reduced rates as shown on the previous page.

Metalliferous Mines License Tax Tax Rates - Concentrates	
Gross Value of Product	Tax Rate
first $250,000	0%
over $250,000	1.81%

Metalliferous Mines License Tax Tax Rates - Dore/Bullion/Matte	
Gross Value of Product	Tax Rate
first $250,000	0%
over $250,000	1.6%

METALLIFEROUS MINES LICENSE TAX

Gross Value
The value to which the tax rate is applied is the monetary payment of refined metal received by the mining company from the metal trader, smelter, roaster, or refinery, determined by multiplying the quantity of metal received by the metal trader, smelter, roaster, or refinery by the quoted price for the metal and then subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest and penalty, metal impurity, and moisture deductions as specified by contract between the mining company and the receiving metal trader, smelter, roaster, or refinery. Deductions are not allowed either directly or indirectly as an offset to payments for the cost of transportation from the mine or mill to the smelter, roaster, or refinery. Demurrage, storage, interest, or any other miscellaneous costs related to transporting the mineral product are considered transportation and are not deductible.

Filing Requirements
Persons extracting metals are required to file reports containing information sufficient to calculate the tax due. Reports and payment of metal mines tax are due on or before March 31 of each year for the products produced in the preceding calendar year.

Metalliferous Mines License Tax Revenue Collections Fiscal Year	
1994	$ 6,229,683
1995	$ 5,259,334
1996	$ 6,941,131
1997	$ 5,130,434
1998	$ 3,975,310

Of the revenue collected during the biennium, 58% is deposited in the General Fund, 8.5% in the abandoned mines account, 4.8% to the reclamation and development grants account, 2.2% to the ground water assessment account, 1.5% in the hard-rock mining impact trust account, and 25% to the county or counties identified as experiencing fiscal and economic impacts under an impact plan. If no such plan has been prepared, 25% to the county in which the mine is located.

MICACEOUS MINES LICENSE TAX

Micaceous minerals are those that are generally classified as complex silicates, and include such minerals as vermiculite, perlite, kernite, maconite, bentonite, silica, bauxite, etc.

Tax Rate
$0.05 per ton of concentrates mined, extracted, or produced.

Filing Requirements
Operators of micaceous mineral mines are required to file quarterly statements showing the number of tons of micaceous minerals mined. Quarterly returns, along with the accompanying tax payment, are due within 30 days following the end of each calendar quarter.

There have been no Micaceous Mines License Tax collections in the last five fiscal years because of no produc-

tion. All proceeds from the micaceous mines license tax are deposited in the state general fund.

RIGWAT TAX RATES

Talc	$25, or 4% of gross value, whichever is greater;
Coal	$25, or 0.4% of gross value, whichever is greater;
Vermiculite	$25, or 2% of gross value, whichever is greater;
Limestone for quicklime	$25, or 10% of gross value, whichever is greater;
Industrial Garnets	$25, or 10% of gross value, whichever is greater;
All Other Minerals	$25, or 0.5% of gross value (if in excess of $5,000);

RESOURCE INDEMNITY AND GROUNDWATER ASSESSMENT TAX (RIGWAT)

Filing Requirements

All extractors and producers of minerals must file an annual statement showing the gross yield of product for each mineral mined. Metal producers are required to file on or before March 31. All other producers are required to file on or before the 60th day following the end of the calendar year. The tax due is required to be paid at the time of filing the statement of gross yield.

RIGWAT GROSS VALUES

Talc	$4.25 per ton, adjusted annually for inflation
Coal	Contract Sales Price
Vermiculite	$27 per ton, adjusted annually for inflation
Limestone for quicklime	$.34 per ton, adjusted annually for inflation
Industrial Garnets	$20 per ton, adjusted annually for inflation
All Other Minerals	Market value

Exemptions

(1) Persons who have paid the metal mines license tax are exempt from the RIGWAT.

(2) Oil and gas royalties received by an Indian tribe, by the U.S. government as trustee for individual Indians, by the U.S. government, by the state of Montana, and by a county or municipality are exempt from the RIGWAT.

(3) Persons who have paid the Oil and Gas Production tax are exempt from the RIGWAT.

Distribution of RIGWAT

The resource indemnity trust fund was created to indemnify the citizens of Montana for the loss of long-term value resulting from the depletion of natural resource bases, and for environmental damage caused by mineral development. The fund is invested at the discretion of the state Board of Investments. Once the fund balance has reached $100 million, all earnings and receipts are to be appropriated and expended by the legislature.

RIGWAT Tax Collections By Mineral

Mineral	FY 97	FY 98
Coal	$ 1,097,016	$ 1,128,369
Metals	441	1,046
Other	196,144	214,781
Total	$ 1,293,601	$ 1,344,196

Tax collections are deposited 14.1% in the groundwater assessment account, 10% in the renewable resource grant and loan program, 30% to the reclamation and grants account, and the remainder to the Resource Indemnity Trust Fund.

Distribution of Interest Income from the Trust

Annually:

$240,000 to the renewable resource loan & grant program to support operations of the environmental science-water quality instructional program;
$1,000,000 to the renewable resource loan & grant program for grants;
$1,500,000 to the reclamation & development grants account;

At the beginning of the biennium:

$175,000 to the environmental contingency account;
$ 50,000 to the oil & gas mitigation account;
$500,000 to the water storage state special revenue account;

Remainder:

18.0% to the hazardous waste/CERCLA special revenue account;
36.0% to the renewable resource loan & grant program;
6.0% to the environmental quality protection account;
40.0% to the reclamation & development grants account.

Resource Indemnity Trust Fund	
Balance as of 6/30/98:	**$ 98,317,569**
FY98 Interest Earned:	**$ 7,555,620**

CEMENT AND GYPSUM TAXES AND LICENSES

Tax Rates

Producers, manufacturers, and importers pay $0.22 per ton of cement and $0.05 per ton of gypsum produced, manufactured, or imported. Cement dealers who sell at retail are liable for tax at the above rates on each ton of cement sold for which no tax has previously been paid.

Cement Tax Collections	
FY94	$ 107,715
FY95	$ 141,685
FY96	$ 146,828
FY97	$ 147,379
FY98	$ 147,705

Filing Requirements

Producers, manufacturers, and importers shall file quarterly statements showing the number of tons of cement or gypsum produced, manufactured, or imported. The statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Distribution

All proceeds from cement and gypsum taxes and licenses are deposited in the state general fund.

ELECTRICAL ENERGY PRODUCER'S LICENSE TAX

Tax Rate

$0.0002 per kilowatt hour produced.

Electrical Energy Tax Collections	
FY94	$ 3,728,365
FY95	$ 3,885,910
FY96	$ 3,520,407
FY97	$ 3,849,052
FY98	$ 4,401,728

Filing Requirements

Producers of electricity shall file quarterly returns showing the amount of electricity produced except for necessary plant use. The statements and tax due, must be submitted within 30 days following the end of each calendar quarter.

Distribution of Electrical Energy Tax

All proceeds are deposited in the state general fund.

Production Incentives

Not applicable. However, an interest differential credit is allowed utility providers for low-interest loans provided to customers for energy efficiency improvements.

COAL GROSS PROCEEDS TAX

Tax Rates
Legislation passed during the 1989 special session established a flat 5% tax on coal gross proceeds.

Value of Coal
The gross proceeds of coal is determined by multiplying the number of tons produced times the contract sales price.

Filing Requirements
On or before March 31st of every year, each person or firm engaged in mining coal must file a statement of gross yield for every mine operated in the preceding year. The producer must pay 50% of the taxes due on or before November 30; the remaining 50% is due on or before May 31 of the following year.

Distribution of Coal Gross Proceeds Tax
The revenue is proportionally distributed to the appropriate taxing jurisdictions in which production occurred based on the total number of mills levied in fiscal year 1990.

Coal Gross Proceeds Tax Collections

FY94	$ 13,466,045
FY95	$ 14,371,095
FY96	$ 12,460,066
FY97	$ 12,491,842
FY98	$ 12,543,909

OIL AND GAS PRODUCTION TAX (LOCAL GOVERNMENT SHARE)*

Distribution of the Oil and Gas Production Tax
The oil and gas production tax is distributed in the following manner:

Natural Gas: Approximately 85% of taxes collected from natural gas goes to local government and schools. The remaining 15% of taxes collected are distributed as outlined in Oil and Gas Production Tax (State Share).

Crude Oil: Approximately 55% of taxes collected from crude oil goes to local government and schools. The remaining 45% of taxes collected are distributed as outlined in Oil and Gas Production Tax (State Share).

*See the section on Oil and Gas Production Tax (State Share) for all tax rate, value, exemption, filing requirement information.

Oil and Gas Production Tax Collections
Local Share

CRUDE OIL	FY97	FY98
Pre-1985 Distribution	$ 15,719,406	$ 10,961,827
Post-1985 Distribution	5,791,392	5,072,107
Total	$ 21,510,798	$ 16,033,934
NATURAL GAS		
Pre-1985 Distribution	$ 4,944,636	$ 4,355,843
Post-1985 Distribution	3,479,432	3,467,774
Total	$ 8,424,068	$ 7,823,617

METAL MINES GROSS PROCEEDS TAX

Metal Mines Gross Proceeds Estimated Tax Collections	
FY94	$ 3,518,004
FY95	$ 2,824,692
FY96	$ 3,317,249
FY97	$ 3,105,127
FY98	$ 3,099,270

Tax Rates
For property tax purposes, the taxable value of metal mines is equal to 3% of annual gross proceeds. This amount is then subject to local mill levies in the jurisdictions in which the taxable value of the mining operation is allocated (see section regarding distribution on next page).

Gross Value
Total gross proceeds means the monetary payment or refined metal received by the mining company from the metal trader, smelter, roaster, refinery, determined by multiplying the quantity of metal received by the quoted price for the metal and then subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest and penalty, metal impurity, and moisture deductions as specified by contract. Metal mines that produce less than 20,000 tons of ore in a year are exempt from property taxation on one-half of the merchantable value.

Filing Requirements
Persons mining metals are required to file a statement, on or before March 31 of each year, showing the total gross proceeds of metal mined during the preceding calendar year.

Distribution of Metal Mines Gross Proceeds Tax
The taxable valuation of hard-rock mining operations is subject to allocations specified by hard-rock mining impact property tax base sharing laws. Generally, the tax base is allocated to taxing jurisdictions based on their associated relative economic impacts.

MISCELLANEOUS MINES NET PROCEEDS TAX

MISCELLANEOUS MINES NET PROCEEDS DETERMINATION	
Talc	$4.25 per ton, adjusted annually for inflation
Coal	Contract Sales Price
Vermiculite	$27 per ton, adjusted annually for inflation
Limestone for quicklime	$.34 per ton, adjusted annually for inflation
Industrial Garnets	$20 per ton, adjusted annually for inflation
All Other Minerals	Gross proceeds minus allowable costs

Tax Rates
For property tax purposes, the taxable value of mines other than metal and coal mines (bentonite, talc, vermiculite, etc.) is equal to 100% of annual net proceeds. This amount is then subject to local mill levies in the jurisdictions in the mining operation is located.

Exemptions
Sand, gravel, travertine and building stone are exempt from mines net proceeds taxation. Producers of industrial garnets are exempt from mines net proceeds taxation on their first 1,000 tons of production.

Filing Requirements
Persons operating miscellaneous mines are required to file a statement, on or before March 31 of each year, showing the total gross proceeds of minerals mined during the preceding calendar year, and information on costs associated with the mining operation sufficient to allow calculation of the net proceeds from the operation.

Misc. Mines Net Proceeds Estimated Tax Collections	
FY94	$ 2,007,979
FY95	$ 1,200,562
FY96	$ 1,788,455
FY97	$ 2,354,185
FY98	$ 2,568,247

Distribution of Miscellaneous Mines Net Proceeds Tax
The net proceeds of miscellaneous mines is subject to mill levies of those taxing jurisdictions in which the mine is located. The tax is distributed on the basis of relative mills levied by all jurisdictions levying taxes in the area.

OIL TAXES IN THE 14 MAJOR OIL PRODUCING STATES
As of December, 1997

State	Severance Or Gross Prod. Tax Rate	Local Ad-Valorem Taxes Effective Rate	Misc. Taxes	Total Tax %	# Barrels 1992	# Barrels 1996
Alaska[1]	15.0% (13.08%)	*		15.0% (13.08%)	637.1	526.1
Wyoming	6.0%	6.7%		12.7%	91.5	68.9
Montana[2]	0.8% - 17.2%			0.8% - 17.2%	19.3	15.7
Louisiana	12.5%	*		12.5%	144.8	110.4
Texas[3]	4.6%	4% - 5%	0.5%	9.1% - 10.1%	615.7	498.9
North Dakota[4]	9.0% or 11.5%	*		9.0% or 11.5%	32.9	32.3
Kansas[5]	8.0%		2.727%	8% (value)+2.727% (vol.)	53.6	42.2
Utah[3, 6]	3.0% or 5.0%	4% - 5%	0.2%	4.2% + Ad Valorem (4-5%)	24.1	19.5
New Mexico	3.75%	1.18%	3.34%	8.26%	72.6	75.0
Colorado[7]	2% - 5%	7.0%	0.17%	7.17%	31.0	26.0
Michigan	6.6%	*	1.0%	7.6%	11.9	7.04
Oklahoma	7.0%	*		7.0%	93.3	86.0
Mississippi	6.0%	*		6.0%	25.4	17.5
California		1.0% Max.		1.0% Max.	305.5	283.0

* Severance (or gross production) tax is in lieu of local property taxes on the oil.

1. Alaska's nominal rate of 15.0% (12.25% for the first 5 years for new fields) is reduced for each field by an economic limit factor determined by the field's total average daily production and its average daily production per well. Because lower production fields have lower rates, Alaska's average effective rate is currently about 13.08%.

2. Montana's tax rates vary based on the type of well, when the well was drilled, and whether the taxpayer has a working or non-working interest. A portion of the production tax is allocated back to local governments in lieu of property taxes.

3. Texas and Utah have property taxes on oil properties, but it was not possible for local authorities to estimate an effective tax rate.

4. In North Dakota, wells drilled and completed after April 27, 1987 are taxed at a rate that is 2.5% lower than older wells.

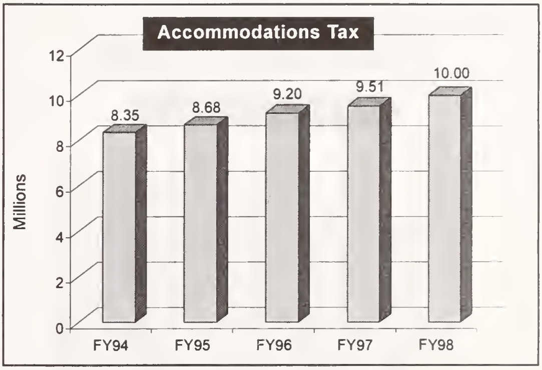
5. Kansas has an 8.0% severance tax, but allows a credit of up to 3.67% for property taxes paid on oil properties. The severance tax is based on value while the miscellaneous taxes are based on volume.

6. Information for Utah is through January 1, 1994. The severance tax is 3% on the first $13 per barrel and 5% on any amount over $13 per barrel.

7. Colorado has a 2% to 5% severance tax but allows 87.5% of local property taxes as a credit against the tax. Since property taxes average about 7%, this credit generally eliminates the severance tax liability.

SOURCE: All information presented was collected by North Dakota Tax Department, Oil and Gas Section, December 1997.

Accommodations Tax



A tax is imposed on users of overnight lodging facilities. This tax is 4% of the accommodation charge and is collected by the owner or operator of the facility.

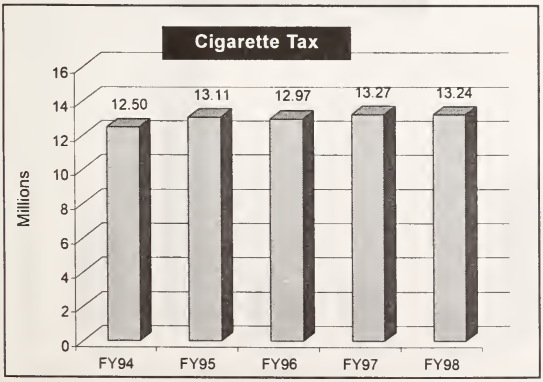
Proceeds from the tax are deposited in a state special revenue fund to the Department of Revenue. Administrative costs are paid, the General Fund is reimbursed for taxes paid by state agencies for in-state lodging, $400,000 each year goes to Montana Heritage Preservation Fund, and on July 1, 1997, $45,000 went towards Fort Peck Interpretive Center. The remainder is distributed: 67.5% to the Department of Commerce for its direct use, 1% to the Montana Historical Society, 2.5% to the university system for the Montana Travel Research Program, and 6.5% to the Department of Fish, Wildlife and Parks for maintenance of facilities. The rest goes to various regional nonprofit tourism corporations unless that particular city-county area collects in excess of $35,000 in proceeds annually. In this instance, half of the amount available for distribution to the non-profit tourism corporation would instead go to a nonprofit convention and visitors bureau in that city-county region. (MCA 15-65-111, 15-65-121.)

Accommodations Tax Collections

FY94	$ 8,348,996
FY95	$ 8,684,736
FY96	$ 9,197,924
FY97	$ 9,509,673
FY98	$ 10,008,143

Cigarette Tax

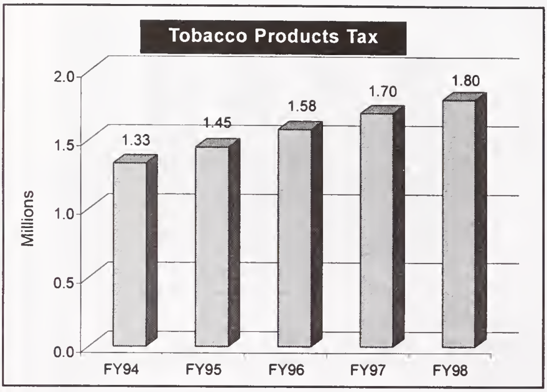
Cigarette wholesalers in the state pre-collect a tax of 18¢ per package of 20 cigarettes. The tax is then included in the retail price of the cigarettes. A tax insignia must be affixed to each package by the wholesaler who is entitled to purchase insignias at face value less allowances to defray costs of affixing insignias and pre-collecting the tax on behalf of the State of Montana. 11.11% of the collections go to state veterans' nursing homes, 73.04% to the General Fund, and 15.85% is deposited in a long-range building program account. *(MCA 16-11-119;17-5-408.)*



Cigarette Tax Collections

FY94	$ 12,495,504
FY95	$ 13,114,640
FY96	$ 12,969,137
FY97	$ 13,267,374
FY98	$ 13,244,550

Tobacco Products Tax



All tobacco products, excluding cigarettes, are subject to a tax of 12.5% of their wholesale price. The tax is collected from the wholesaler less a 5% defrayment for collection and administrative expenses. Collections are deposited in the General Fund. *(MCA 16-11-206.)*

Tobacco Products Tax Collections

FY94	$ 1,328,908
FY95	$ 1,446,101
FY96	$ 1,579,547
FY97	$ 1,702,313
FY98	$ 1,801,084

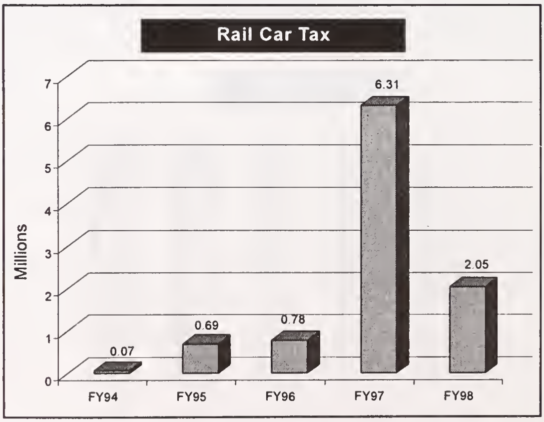
Rail Car Tax

Section 15-23-101, MCA, provides for the central assessment of rail car companies' operating properties. The rail car tax is a tax assessed on the rolling stock of freight line companies. Section 15-23-214, MCA, states that the tax shall be computed by multiplying the taxable value of the property by the average statewide mill levy for commercial and industrial property. The General Fund receives 100% of the rail car tax revenue.

Rail Car Tax

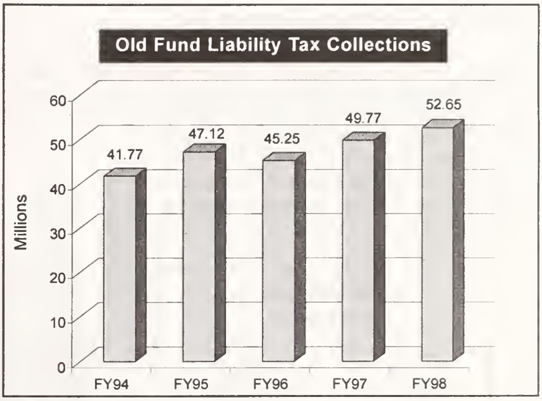
FY94	$ 66,530
FY95	$ 691,978
FY96	$ 780,125
FY97	$ 6,309,000
FY98	$ 2,054,244

The large increase in General Fund collections in fiscal 1997 is due to a settlement agreement as a result of federal court litigation. The settlement brought in revenues due from prior years.



Old Fund Liability Tax

Effective July 1, 1993 the Old Fund Liability Tax replaced the Workers' Compensation Payroll Tax. Employers pay a 0.5% tax on payroll and employees pay a 0.2% tax, with some exceptions. The self-employed paid a 0.1% tax for tax year 1993 and 0.2% for following tax years. The revenue from this tax goes to the workers' compensation tax account in the state special revenue fund for bond repayment. Any surplus must be used to reduce the unfunded liability in the state fund incurred for claims for injuries that occurred prior to July 1, 1990. Effective December 31, 1998, the OFLT is no longer levied, due to sufficient funds in the account. *(MCA 39-71-2505)*

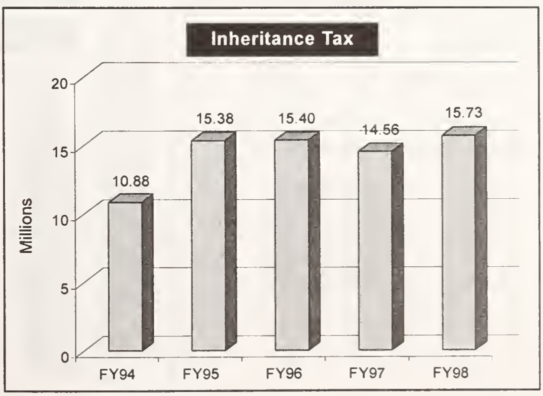


Old Fund Liability Tax Collections

FY94	$ 41,771,588
FY95	$ 47,117,119
FY96	$ 45,254,475
FY97	$ 49,770,930
FY98	$ 52,650,637

Inheritance Tax

An inheritance or succession tax is paid by the recipient of any decedent's property or interest within Montana. Surviving spouses and children are 100% exempt from the tax (effective 1/1/79 and 1/1/81 respectively). Real property or tangible personal property of a 'closely held business' is also exempt (effective 1/1/97). The Inheritance Tax applies to non-residents if the transferred property is real and is located in Montana. Rates of taxation range from 2% to 8% of the clear market value if the inheritance is under $25,000. The rate depends on the relationship of the beneficiary to the decedent. Tax rates are higher on amounts transferred in excess of $25,000. (MCA 72-16-453.) In addition to the inheritance tax, an estate tax is imposed upon the transfer of any estate subject to federal estate tax. The estate tax is equal in amount to the maximum tax credit allowable for state death taxes against the federal estate tax less any inheritance tax paid. Proceeds collected under the inheritance tax are deposited in the General Fund. *(MCA 72-16-321, 322.)*



Inheritance Tax Collections

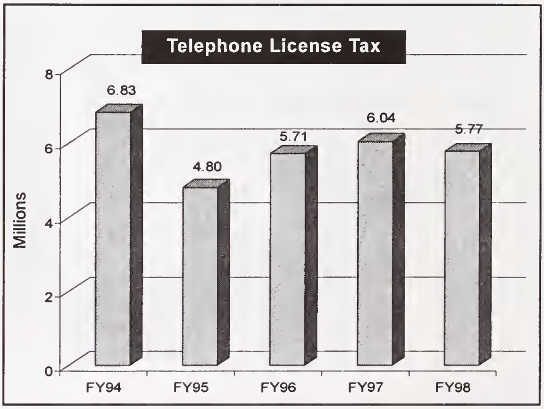
FY94	$ 10,885,745
FY95	$ 15,382,449
FY96	$ 15,404,110
FY97	$ 14,562,382
FY98	$ 15,726,605

Telephone Company License Tax

All gross revenue, in excess of $250 per quarter, derived from any telephone business that originates and terminates in Montana is subject to a license tax of 1.8%. Gross revenue does not include carrier access service revenue; revenue from certain sales of telephone services; revenue from equipment sales, leases, repairs, installations and maintenance; and customer access line charges assessed under Federal Communications Commission orders or rules. License taxes collected are deposited in the General Fund. *(MCA 15-53-101.)*

Telephone License Tax Collections

FY94	$ 6,835,201
FY95	$ 4,800,861
FY96	$ 5,711,933
FY97	$ 6,045,081
FY98	$ 5,773,341

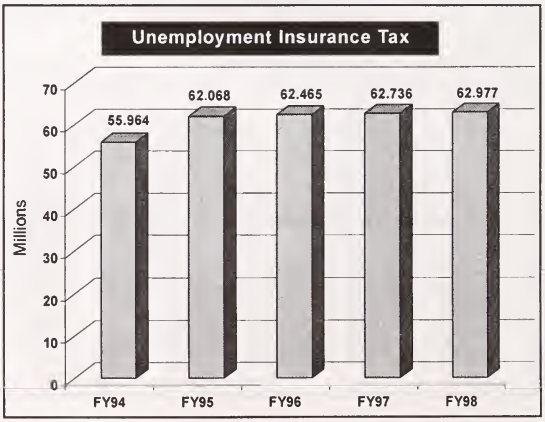


Unemployment Insurance Tax

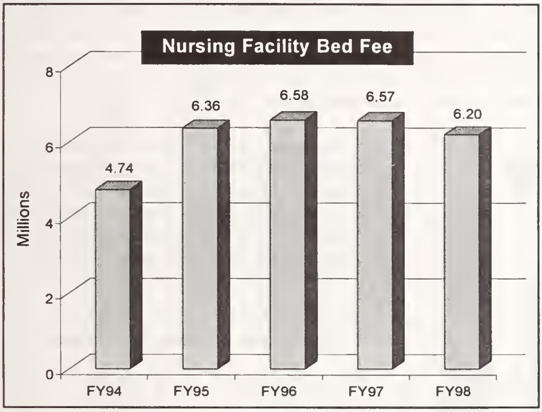
In July 1997, the Department of Revenue and the Department of Labor and Industry Unemployment Insurance Division entered into a cooperative agreement which delegates certain Unemployment Insurance tax collection and related activities. The tax collection activities include establishing employer experience rating, determining employer class, calculating the tax liability, tax collection and compliance. Each employer is included into an appropriate class of covered employers. Based on the employer's type of coverage a tax rate is calculated based on the contribution rate schedule and the employers reserve ratio. (MCA 39-51-101)

Unemployment Insurance Tax

FY94	$ 55,964,102
FY95	$ 62,067,622
FY96	$ 62,465,253
FY97	$ 62,735,866
FY98	$ 62,976,826



Nursing Facility Bed Fee



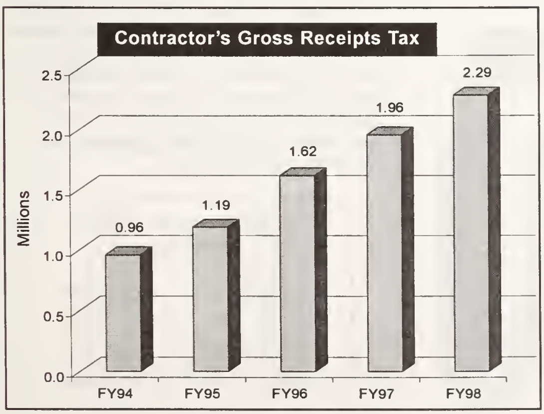
Nursing facilities in Montana pay a utilization fee of $2.80 for each occupied bed day. All revenues are deposited to the General Fund. *(MCA 15-60-102.)*

Nursing Facility Bed Fee Collections

FY94	$ 4,739,833
FY95	$ 6,364,377
FY96	$ 6,579,620
FY97	$ 6,572,123
FY98	$ 6,200,413

Public Contractors' Gross Receipts Tax

Prime contractors and all levels of subcontractors must pay a tax amounting to 1% of all public contracts over $5,000. Contractors can obtain part or all of the tax back by requesting refunds for personal property taxes paid on assets used in their contracting business and by claiming credit on their individual Montana income tax return or Montana Corporation License Tax return. Revenues are deposited to the credit of the General Fund. *(MCA 15-50-101.)*

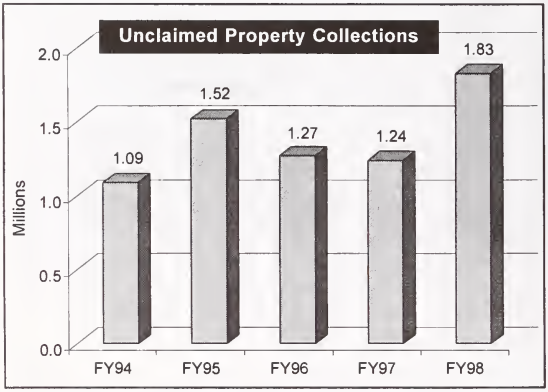


Contractor's Gross Receipts Tax Collections

FY94	$ 964,193
FY95	$ 1,192,445
FY96	$ 1,621,441
FY97	$ 1,963,791
FY98	$ 2,290,944

Unclaimed Property

Under Montana's Uniform Unclaimed Property Act any intangible, and certain tangible property, unclaimed by its owner must be turned over to the Department of Revenue. Montana is considered a "custodial state" and holds such property on behalf of the owners of lost or abandoned property. The Department maintains records on all abandoned property reported in Montana. Reports filed by holders of abandoned property (banks and insurance companies for instance) may be examined by the public.

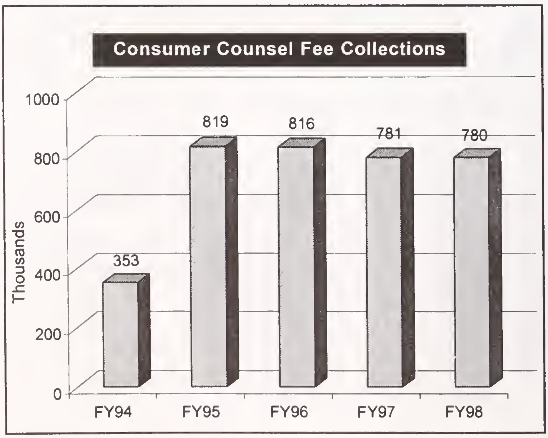


All collections over $100,000 (the amount allocated to the agency refund account) are transferred to the state's General Fund. The refund period for items valued at over $50 is unlimited. Interest and dividends earned on the property are non-refundable. *(MCA 70-9-801.)*

Unclaimed Property Collections

FY94	$ 1,094,511
FY95	$ 1,518,264
FY96	$ 1,272,859
FY97	$ 1,240,407
FY98	$ 1,831,638

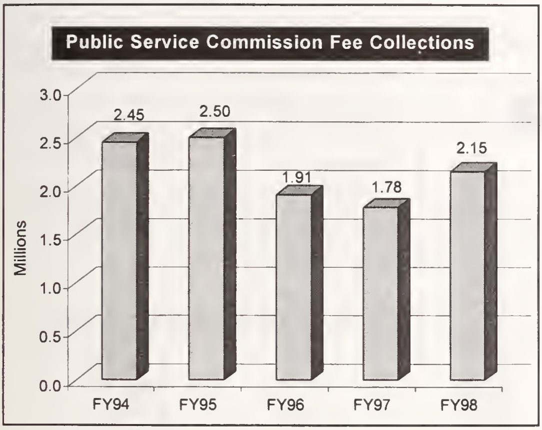
Consumer Counsel Fee



All companies providing services which are regulated by the Public Service Commission are subject to a quarterly Consumer Counsel Fee on gross operating revenue. The fee rate is set annually for the succeeding fiscal year to cover appropriations to the office of the consumer counsel. All collections are deposited in a state special revenue fund. *(MCA 69-1-201;223;224.)*

Consumer Counsel Fee Collections

FY94	$ 353,252
FY95	$ 819,133
FY96	$ 815,801
FY97	$ 781,279
FY98	$ 779,809



Public Service Commission Fee

All companies providing services which are regulated by the Public Service Commission are subject to a quarterly tax on gross revenues excluding revenues from sales to other regulated companies for resale. The fee rate is set annually for the succeeding fiscal year. All collections are deposited in a state special revenue fund. *(MCA 69-1-402.)*

Public Service Commission Fee Collections

FY94	$ 2,455,541
FY95	$ 2,498,411
FY96	$ 1,915,092
FY97	$ 1,780,150
FY98	$ 2,154,289

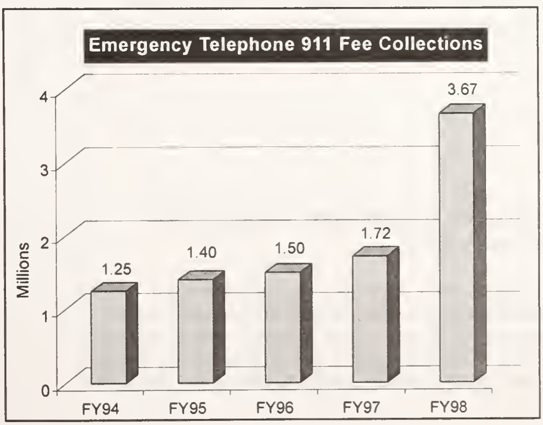
Statewide Emergency Telephone 911 System Fee

A fee of 50¢ a month per access line (before July 1, 1997 the fee was 25¢) on each service subscriber in the state is imposed on the amount charged for telephone exchange access services. Services that the state is prohibited from taxing and coin operated public telephones are exempt from this fee. The revenue from this fee is deposited in a special revenue fund for the development of emergency 9-1-1 systems in the state. (MCA 10-4-201.)

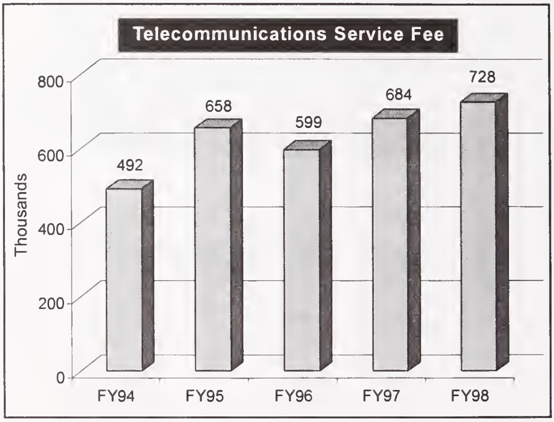
Emergency Telephone 911 Fee Collections

FY94	$ 1,249,373
FY95	$ 1,400,989
FY96	$ 1,501,596
FY97	$ 1,719,562
FY98*	$ 3,666,571

* rate changed from 25¢ to 50¢



TDD Telecommunications Service Fee



A fee of 10¢ a month per access line on each service subscriber in the state is imposed on the amount charged for telephone exchange access services. The revenue from this fee is deposited in the telecommunications special revenue fund for the physically disabled that are unable to use traditional telecommunications equipment. This fund is used to provide telecommunications devices for the deaf (TDD). *(MCA 53-19-311.)*

Telecommunications Service Fee	
FY94	$ 492,087
FY95	$ 657,927
FY96	$ 598,763
FY97	$ 683,717
FY98	$ 728,017

Rural Electric and Telephone Co-op Fee

Electric and telephone cooperatives were subject to a license fee of $10 for every 100 people they served within the state. House Bill 274 of the 1997 Legislative session repealed this license fee. Collections were deposited in the state's General Fund. *(MCA 35-18-503.)*

Rural Co-op Fee Collections	
FY94	$ 18,217
FY95	$ 14,052
FY96	$ 12,631
FY97	$ 16,135
FY98	$ 1,990

Cigarette Wholesalers' and Retailers' License Fees

A license fee is imposed on cigarette dealers in Montana. Wholesalers, subjobbers and vendors (possessing 10 or more machines) pay an annual license fee of $50. Retailers and vendors (possessing 9 or less machines) pay an annual license fee of $5. *(MCA 16-11-120.)*

Cigarette License Fee Collections	
FY94	$ 13,505
FY95	$ 12,872
FY96	$ 14,790
FY97	$ 15,406
FY98	$ 14,760

Overview of Alcohol Taxes

The Department of Revenue administers Title 16, Chapters 1 through 6, Montana Code Annotated which relates to alcoholic beverage control, sale, and distribution and the licensing of alcoholic beverage manufactures, wholesalers and retailers.

Warehouse inventory management, warehouse shipping and receiving, agents' order processing, agents' accounts receivable management, and customer service functions are all duties performed by the Resource Management Process.

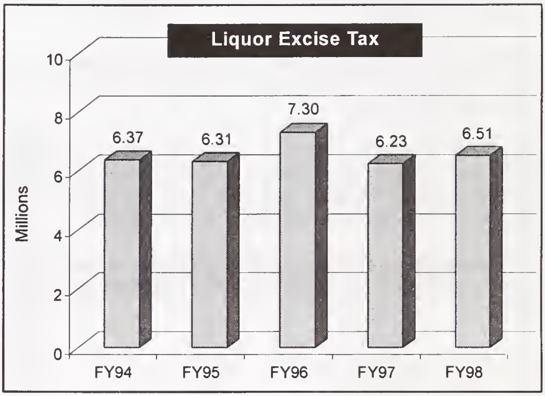
The Customer Intake Process is charged with all licensing and regulatory responsibilities for all-beverage, beer, and wine licensees. Additionally, the process oversees brewery and winery registrations, vendor permit applications and renewals, special retail beer permit applications, and provides information and explanation about licensing activity or related law, rule, policy and procedures.

An explanation of revenues and their distribution to cities, towns, and counties may be found in the 1997 Annual Financial Report of the Liquor Enterprise Fund from the Resource Management Process.

Alcohol Taxes (continued)

Liquor Excise Tax

The Department of Revenue collects an excise tax of 16% of the retail selling price on all liquor sold by the state. The excise tax on products sold by companies whose annual sales do not exceed 200,000 proof gallons of liquor nationwide in the preceding year is 13.8%. Payment of the tax is due the tenth day of each month. Collections are deposited with the State Treasurer, to the credit of the General Fund. (MCA 16-1-401.)

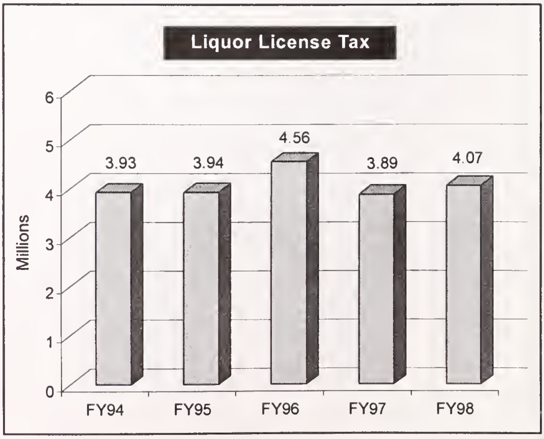


Liquor Excise Tax Collections

FY94	$ 6,372,756
FY95	$ 6,309,139
FY96	$ 7,304,750
FY97	$ 6,230,501
FY98	$ 6,512,797

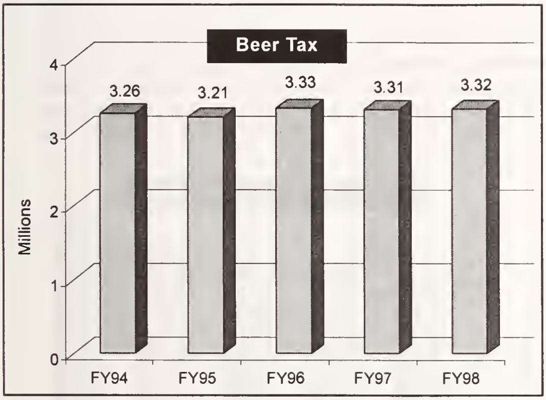
Liquor License Tax

A license tax equal to 10% of the retail selling price of all liquor sold by the state is levied in Montana. The license tax is in addition to the liquor excise tax. The liquor license tax on products sold by companies whose annual sales do not exceed 200,000 proof gallons of liquor nationwide in the preceding year is 8.6%. Collections are deposited with the State Treasurer. Section 16-1-404, MCA, statutorily appropriates these collections to the Department of Revenue and requires disbursement to local governments and the Montana Department of Public Health & Human Services. (MCA 16-1-404.)



Liquor License Tax Collections

FY94	$ 3,930,634
FY95	$ 3,943,211
FY96	$ 4,564,287
FY97	$ 3,893,221
FY98	$ 4,069,693



Beer Tax

A monthly tax of $4.30 per barrel of thirty-one gallons is imposed on beer sold by any Montana wholesaler. This tax applies to all beer whether brewed in this state or imported from outside. The revenues collected from the tax are deposited 11.63% to the General Fund, 65.12% to cities and towns, and 23.25% to the Department of Public Health and Human Services for treatment, rehabilitation and prevention of alcoholism. (MCA 16-1-406.)

Beer Tax Collections

FY94	$ 3,263,346
FY95	$ 3,215,598
FY96	$ 3,329,867
FY97	$ 3,318,448
FY98	$ 3,324,479

Table Wine Tax

A tax of 27¢ per liter on table wine and a tax of 3.7¢ per liter on hard cider is levied on the amount imported by any distributor or the Department of Revenue. The revenues collected from the tax are deposited 59% to the General Fund, 5% to counties, 5% to cities and towns, and 31% to the Department of Public Health and Human Services for treatment, rehabilitation and prevention of alcoholism. (MCA 16-1-411.)

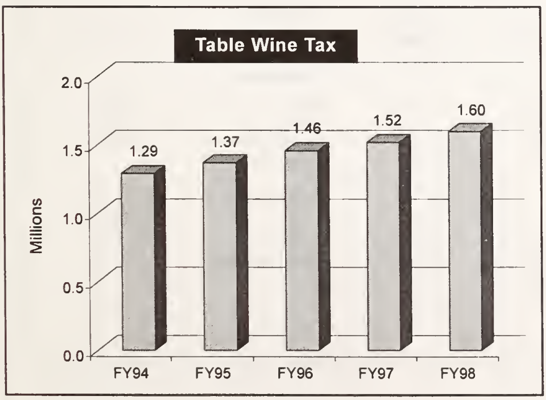


Table Wine Tax Collections

FY94	$ 1,289,016
FY95	$ 1,374,298
FY96	$ 1,459,901
FY97	$ 1,525,375
FY98	$ 1,604,300

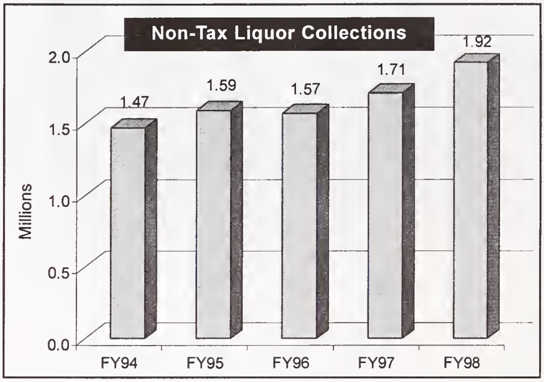
Alcohol Taxes (continued)

Nontax Alcoholic Beverage License & Fee Collections

All-Beverage Licenses issued in cities of 10,000 or more population are subject to a one-time fee of $20,000. In cities of 10,000 population or larger, an annual renewal fee of $800 is charged. Smaller cities and towns require lower fees. The number of licenses available in any given area depends on the population. Nationally chartered veterans organizations, airlines, railroads, resorts and caterers pay specific fees different from those collected for other liquor licenses. Liquor license fees are deposited in the General Fund. The retail sale of liquor was privatized by the 1995 Legislature, subsequently, the department no longer operates retail liquor stores nor earns profits from the retail sale of liquor.

Non-Tax Liquor Collections

FY94	$ 1,467,434
FY95	$ 1,592,687
FY96	$ 1,569,923
FY97	$ 1,711,383
FY98	$ 1,925,247



Number of Licensees by License Type
Fiscal Year Ended June 30, 1998

Number Issued	Type of License	Annual Fee	Number Issued	Type of License	Annual Fee
	Off-Premise			*Wholesale*	
104	Agencies	No Fee	15	Beer	$400
229	Beer	$200	4	Wine	$400
7	Wine	$200	24	Beer& Wine	$800
732	Beer & Wine	$400	43	Total Wholesale	
1,072	Total Off-Premise				
				Suppliers	
	On-Premise		83	Beer	$500
92	Beer	$200	262	Wine	$25
450	Beer & Wine	$400	345	Total Suppliers	
1609	Beer,Wine, & Spirits	$400-$800			
2,151	Total On-Premise				

Selected Comparisons of License Fees

State	Fee	On-Premise License
	$400-800	All Beverages
Montana	$400	Beer and Wine
	$400-800	Fraternal All Beverages
	$250-650	Veteran's All Beverages
	$500-3000	Restaurant License
Wyoming	$100-1500	County Malt Beverage
	$100-1500	Fraternal, Veteran, Golf ,Social
	$50	Beer
Idaho	$100	Wine
	$300-750	Liquor
	$1200-2000	All Beverages
	$205-355	Beer
Washington	$150-300	Wine
	$700	Beer, Wine, Spirits Club
	$250	Malt Beverages
South Dakota	$500	Retail Wine
	Set at local Level	Retail Spirits, Beer, & Wine
North Dakota	$100-200	Spirits, Beer, Wine

Property Tax - Overview

Overview of Property Tax

Although 95% of property taxes collected are spent locally, the Department of Revenue is responsible for insuring that all property in the state is treated fairly. The department's duties include the appraisal, assessment, and equalization of the value of all property in the state for the purpose of taxation.

Most real estate, improvements, and personal property are appraised by state employees in regional offices. A county presence is maintained in each county. Only five counties have elected county assessor positions. As required by current law, the Department contracts with those counties for the services of those individuals. The Department specifies their duties.

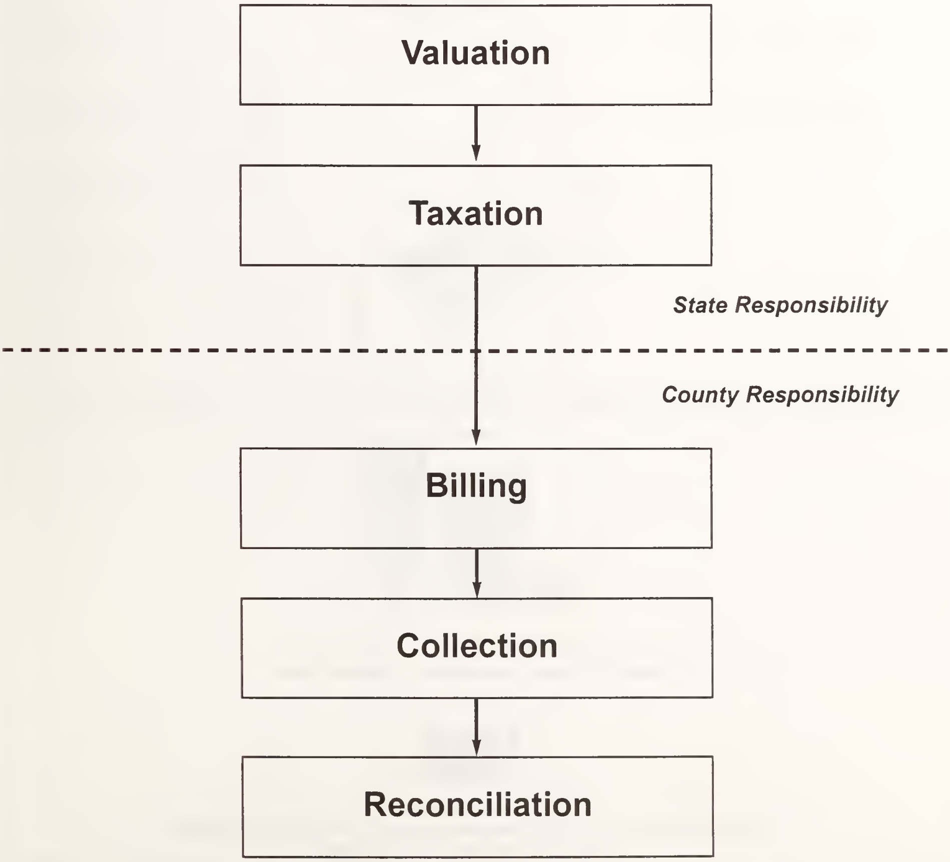
Property owned by companies that is single and continuous and is in more than one county (such as railroads, telecommunications, electric utilities and pipelines) is centrally assessed by the Department of Revenue. The valuation is apportioned to counties and other jurisdictions on a mileage basis, or on another basis determined to be "reasonable and proper."

In 1975, the legislature required the Department of Revenue to administer and supervise a program for the revaluation of taxable property on a cyclical reappraisal cycle every five years. In 1991, the legislature reduced the timeframe of subsequent reappraisal cycles. Revaluations (more commonly called reappraisal cycles) are designed to insure that all property is taxed on current structural, market and income information. Montana's second statewide reappraisal was completed in 1985. The new reappraisal values were first used for the 1986 tax year. The third reappraisal cycle was completed in 1992 except for forest land and agricultural land. Those properties were completed in 1993. New reappraisal values for commercial and residential property were used for the 1993 tax year. New forest land and agricultural land values were used in the 1994 tax year. The state's fourth reappraisal was completed on December 31, 1996. The 1997 legislature passed SB195 which mitigated the impact of the reappraisal values by phasing-in those values at the rate of 2% per year and by reducing the tax rate by .022 points per year. The new phase-in values were first used for the 1997 tax year.

The rate of tax on the various classes of property and the establishment of the actual classes is a function of the Legislature. There are currently eleven classes of property. Local governments determine the mill levy requirements for each taxing jurisdiction. Those requirements include state mills. Using those mill levy determinations, division staff calculate property tax liability. Included are special district fees and charges.

Functions of Property Taxation

The various functions required to accomplish property taxation are identified below. The valuation and taxation functions are currently the responsibility of the state. The tax billing, collection, and reconciliation functions are a county responsibility.

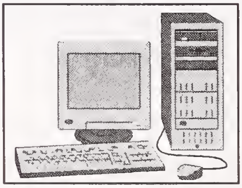


PROPERTY TAXATION

All taxable property must be assessed at 100% of its market value except as otherwise provided (15-8-111, MCA). Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

\$100,000 = Market Value

The market value is multiplied times the statutory taxable percentage to get the taxable value of the property.



\$100,000 X 3.816% = \$3,816
Market X Taxable percentage = Taxable Value

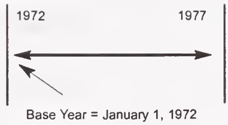
The taxable value is multiplied times the mill levy of the district to get taxes.
\$3,816 X 400 mills = \$1,526.40
A mill is a tenth of a cent. A levy of 400 translates to \$400 per \$1,000 of taxable value (\$1,000 X .400 = \$400).

REAPPRAISAL CYCLES

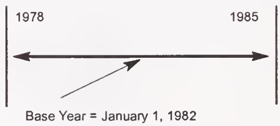
Property Types	Cycles
Residential Land & Buildings	Beginning in 2007 - 3 Years (complete by 2010)
Commercial & Industrial Land & Buildings	Beginning in 2007 - 3 Years (complete by 2010)
Forest Lands	Beginning in 2007 - 3 Years (complete by 2010)
Agricultural Land	Beginning in 2007 - 3 Years (complete by 2010)
Business Equipment & Livestock	Annual Revaluation
Centrally Assessed Properties	Annual Revaluation

Montana Department of Revenue
Reappraisal Cycles

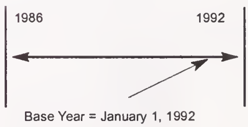
First Appraisal Cycle
1972 thru 1977



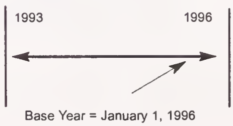
Second Appraisal Cycle
1978 thru 1985



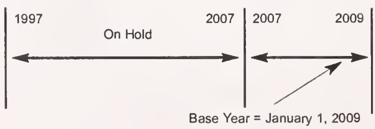
Third Appraisal Cycle
1986 thru 1992



Fourth Appraisal Cycle
1993 thru 1996
(Agricultural and forest property completed in 1994)



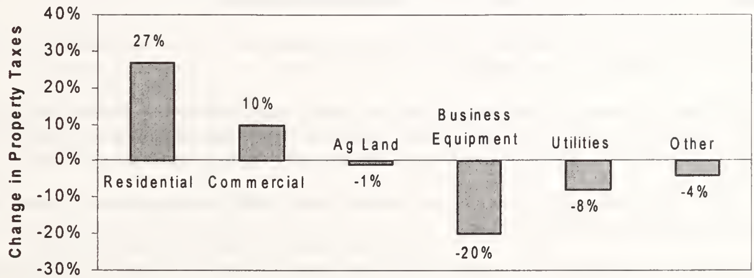
Fifth Appraisal Cycle
1997 thru 2009



Estimated Tax Impact of Full Implementation of the 1997 Reappraisal

The 1997 reappraisal resulted in a 45% increase in the total assessed value of residential and commercial property. Without preventive action, the law required that the appraised values determined by the 1997 reappraisal replace the values determined by the 1993 reappraisal. The increase in valuations would have resulted in increased property taxes, for class 4, residential and commercial property. An estimate of the tax impact of full implementation of the 1997 reappraisal is shown in Table 1.

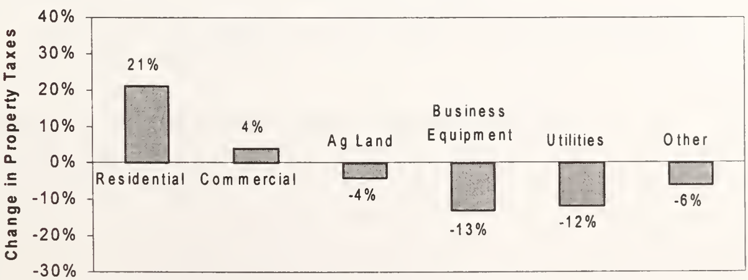
Table 1
Estimated Impact of Implementing Full Reappraisal in 1997



The 1997 Legislature, through SB195, prevented the implementation of the 1997 reappraisal. Under SB195 the 1997 reappraisal values are phased in over a 50-year period and the taxable rate is reduced each year. The combination of the phase in and the reduction of the taxable rate results in the total value of residential and commercial property remaining at the same level prior to the 1997 reappraisal.

The 1999 Legislature faces the possibility that SB195 may be invalidated by the Supreme Court. As was the case in 1997, implementation of full reappraisal would result in an increase in property taxes paid by residential and commercial property. Table 2 shows the estimated change in property taxes if the full 1997 reappraisal is implemented. Included in the analysis is a reduction in statewide mill levies as required by CI-75.

Table 2
Estimated Impact of Implementing Full Reappraisal and Reducing the Statewide Mills



HISTORY OF CLASSIFICATION

Property in Montana was first placed in statutory tax classes in 1919. Seven classes were created by the Legislature. The fiscal impact was a 3-fold increase in assessed value.

Changes in tax classifications were made over the years including rate changes, movement of property between classes, and exemption of property from taxation. However, the most significant changes occurred in 1977 and 1979.

In 1977, the Legislature adopted a market value standard for valuing property and established rates for taxing the property (taxable value rates). This ended the fractional assessment of property in Montana. The 1977 legislation was designed to maintain effective tax rates for various types of property.

To maintain effective tax rates the number of classes was increased from 11 to 18. In addition, two more classes were created in 1977 bringing the total to 20.

The Legislature was concerned with the large number of classes. They provided for an interim study of classifications and the reasons for grouping types of property. As a result of the study, legislation was introduced and passed in 1979 grouping like property into the same class and reducing the classes from 20 to 10.

Through the 1980's the number of classes doubled returning to the 1977 grouping level of 20. Also, the property tax on several properties was replaced by fees.

The 1991 Legislature provided tax rate reductions to certain types of personal property. It then reduced the number of tax classes to 12 by combining those tax classes with similar property types and tax rates.

The 1993 Legislature reduced the number of tax classes to 11 by combining Class 11 (1 acre homesites) with Class 4 (land and improvements).

The 1995 and 1997 Legislatures did not make any changes to classification.

CLASSES OF PROPERTY AND TAX RATES SUMMARY

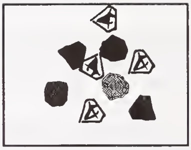
The 1993 Legislature passed a bill consolidating the existing 12 property classes into 11. The revised property classification system, for tax year 1998, is as follows (taxable value percentage is in parenthesis):

Class 1	Net proceeds of all mines and mining claims except coal and metal mines (100%)
Class 2	Gross proceeds of metal mines (3%)
Class 3	Agricultural land (3.816% of productive capacity) Nonproductive patented mining claims (3.816% of productive capacity as grazing land) Nonagricultural land 20 acres or more but under 160 acres (26.712% of productive capacity as grazing land)
Class 4	Residential, commercial, and industrial land and improvements (3.816%) Golf courses (1.908%) Idle agricultural and timber processing property (3.816%) Mobile homes (3.816%) 1-Acre homesites (3.816%)
Class 5	Air and water pollution control equipment (3%) Rural electric and telephone cooperatives (3%) Real and personal property of "new industry" (3%) Machinery and equipment used in electrolytic reduction facilities (3%) Real and personal property of research and development firms (3%) Real and personal property used to produce gasohol (3%)
Class 6	Livestock (4%) Rental or lease equipment with an acquired cost of less than $15,000 (4%) Machinery and equipment used in canola seed oil processing facilities (4%)
Class 7	Qualifying independent telephone and electric cooperatives (8%)
Class 8	Business personal property (9% in 1995; 8% in 1996; 7% in 1997; 6% in 1998)
Class 9	Real & personal property of utilities, telecommunication companies and pipelines (12%)
Class 10	Forest land (0.79% beginning in tax year 1994)
Class 11	Repealed. Sec. 9, Chapter 267, L. 1993
Class 12	Real and personal property of railroads, railroad car companies, and airlines (6.170% for tax year 1998).

A more detailed description of the property included in the above classes follows:

CLASS ONE (15-6-131, MCA) 100% of Annual Net Proceeds

Includes the annual net proceeds of all mines and mining claims except coal and metal mines.



Class one property is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed.

CLASS TWO (15-6-132, MCA) 3% of Annual Gross Proceeds

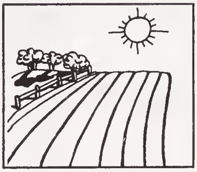
Includes the annual gross proceeds of metal mines.

Class two property is taxed at 3% of its annual gross proceeds.

CLASS THREE (15-6-133, MCA) 3.816% of Productive Capacities

Includes agricultural land and nonproductive patented mining claims.

The property is appraised by the local Department of Revenue office. The productive capacity of the land is based on the ability to produce net farm income.



There are five classifications of agricultural land:

1. Continuously cropped tillable / non-irrigated farmland.
2. Fallow tillable / non-irrigated farmland.
3. Irrigated tillable farmland.
4. Continuously cropped hay land (wild hay).
5. Grazing land.

Given a 300 acre field, tillable fallow / non-irrigated farmland. Average yield is 25 bushels of wheat per acre.

(300 acres @ $201.60 per acre)
$60,480 = Market Value

$60,480 X 3.816% = $2,308
Market X Taxable percentage = Taxable Value

$2,308 X 400 mills = $923.20
Taxable X Mills = Taxes

Non-qualified agricultural land is land not used for agricultural purposes between 20 and 160 acres. The land value is based on its productive capacity as average grazing land (grade three). The taxable value is computed by multiplying the land value by seven times the tax rate for agricultural land or 26.712%.

Given a 100 acre parcel that is not eligible for valuation, assessment and taxation as agricultural land.

(100 acres @ $33.24 per acre)
$3,324 = Market Value

$3,324 x 26.712% = $888
Market x Taxable Percentage = Taxable Value

$888 x 400 Mills = $355.20
Taxable x Mills = Taxes

For a detailed explanation on agricultural land valuation, refer to the section starting on page 90.

CLASS FOUR (15-6-134, MCA) 3.816% of Market Value

All land and improvements (except those specifically included in another class). The property is appraised by the local Department of Revenue office (except large industrial property).

This includes residential, commercial, and industrial land and improvements (3.816%); idle agricultural and timber processing property (3.816%); mobile homes (3.816%); 1-acre homesites located on non-qualified agricultural land and forest land (3.816%); and golf courses (1.908%).

Market value of land and improvements is calculated using the cost, income and market approaches by the local Department of Revenue office.

$100,000 = Market Value

$100,000 x 3.816% = $3,816
Market x Taxable percentage = Taxable Value

$3,816 x .400 mills = $1,526.40
Taxable x Mills = Taxes

For qualifying low income property owners, an adjustment is made to the taxable value of the property. The adjustment is based on the amount of their annual income. For additional detail, see page 79.

Property Tax - Overview (continued)

CLASS FIVE (15-6-135, MCA) 3% of Market Value

Includes:

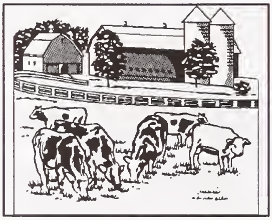
1. Approved air and water pollution control equipment,
2. All property used and owned by rural electric and telephone cooperatives,
3. Real and personal property of "new industry",
4. Machinery and equipment used in electrolytic reduction facilities,
5. All qualifying property owned by a research and development firm,
6. Any property used primarily in the production of gasohol (first 3 years).

The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 3 percent.

CLASS SIX (15-6-136, MCA) 4% of Market Value

Includes:

1. Livestock and other species of domestic animals and wildlife raised in domestication,
2. Rental or lease equipment with an acquired cost of less than $15,000.
3. Machinery and equipment used in a canola seed oil processing facilities.



The market value of livestock is determined by an analysis of average market prices throughout a given area. Livestock also is charged a per capita tax that is used in funding for the Department of Livestock.

Saddle Horse

$975 = Market Value

$975 x 4% = $39
Market x Taxable percentage = Taxable Value

$39 x 400 mills = $15.60
Taxable x Mills = Taxes

Per Capita Tax = $3.00

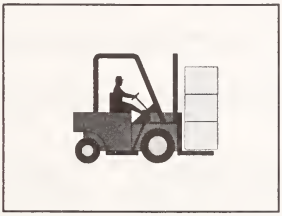
CLASS SEVEN (15-6-137,MCA) 8% of Market Value

Qualifying independent telephone and electric cooperatives.

The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 8 percent.

CLASS EIGHT (15-6-138, MCA) 9% of Market Value in 1995; 8% in 1996; 7% in 1997; 6% in 1998

Business personal property.



The market value for machinery and equipment is usually determined through use of the "Green Guide" manual or by applying a percent good factor to the F.O.B. or acquired cost.

Forklift acquired in 1984 (24% good)

Acquired Cost - $20,000
Tax Year 1998

$4,800 = Market Value
(Acquired Cost x Percent Good)

$4,800 X 6% = $288
Market Value x Taxable Percentage = Taxable Value

$288 x 400 mills = $115.20
Taxable Value x Mills = Taxes

The 1995 Legislature passed Senate Bill 417 which provided for the progressive reduction in the tax rate from 9% in 1995 to 6% in 1998.

CLASS NINE (15-6-141, MCA) 12% of Market Value

All real and personal property owned and used by centrally assessed companies (Electric, Telecommunication, and Pipeline).

Centrally assessed companies are valued by department appraisers in Helena by a method referred to as the "unit approach to value." The appraiser determines a system value for the company, allocates a portion to the state and then apportions values to the counties where the property is located.

Three indicators are typically used to determine the system value of the company:
Cost, Income and Market.

The indicators are then correlated to arrive at a system value.

The Department determines an allocated value to the state (that portion of the correlated system value which belongs to Montana).

The Department then apportions the allocated Montana value to the counties where the property is located.

Centrally Assessed Example:

Given:	System Cost Indicator	=	$1,100,000
	System Income Indicator	=	$ 900,000
	System Market Indicator	=	$1,000,000
	System Correlated Value	=	$1,000,000
	Montana Allocation	=	25%
	Montana Allocated Value	=	$250,000
	Taxable Percentage	=	12%
	Taxable Value	=	$30,000
	Average Mill	=	400
	Taxes	=	$12,000

CLASS TEN (15-6-143, MCA) 0.79% of Productive Capacity

Forest lands (contiguous land of 15 acres or more in one ownership that is capable of producing timber that can be harvested in commercial quantity).

Forest land is valued on the basis of its ability to produce timber, other associated products, and associated agricultural products through an income approach as defined in 15-44-103. For a more detailed explanation, refer to the section on forest taxation beginning on page 86.

CLASS ELEVEN (Previously 15-6-144, MCA) Repealed. See 9, Chapter 267, L. 1993

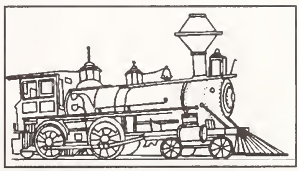
Combined into Class 4

CLASS TWELVE (15-6-145, MCA) Taxable Percentage "R" Determined Annually

All railroad transportation property as described in the Railroad Revitalization and Regulatory Reform Act (4R Act).

All airline transportation property as described in the Tax Equity and Fiscal Responsibility Act (TEFRA). This property is valued by Helena staff utilizing the same valuation procedures as used for Class Nine property. The taxable percentage "R" for 1998 was 6.170%.

The taxable percentage (R) is determined by finding the effective taxable percentage for all other commercial property in the state.



R = (A x M)/B where

A = total statewide taxable value of all commercial property, except class 12 property.

B = total statewide market value of all commercial property, except Class 12 property.

M = value weighted mean sales assessment ratio for all commercial property.

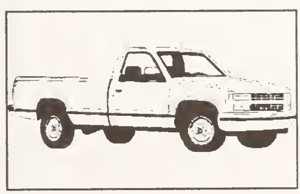
OTHER TYPES OF PROPERTY

Automobiles and trucks having a capacity of 1 ton or less are not classified in the property classes. They are valued under MCA 61-3-503. The taxes are calculated by multiplying the depreciated manufacturer's suggested retail price (MSRP) times 2 percent. The county may also levy an additional .5 percent local option vehicle tax.

$12,500 = Original MSRP (age of vehicle = 1995)
58% = % Good (3 yrs)
$7,250 (12,500 x 58%) = Depreciated Value
$7,250 x 2% = $145
Dep. MSRP x Percent = Tax

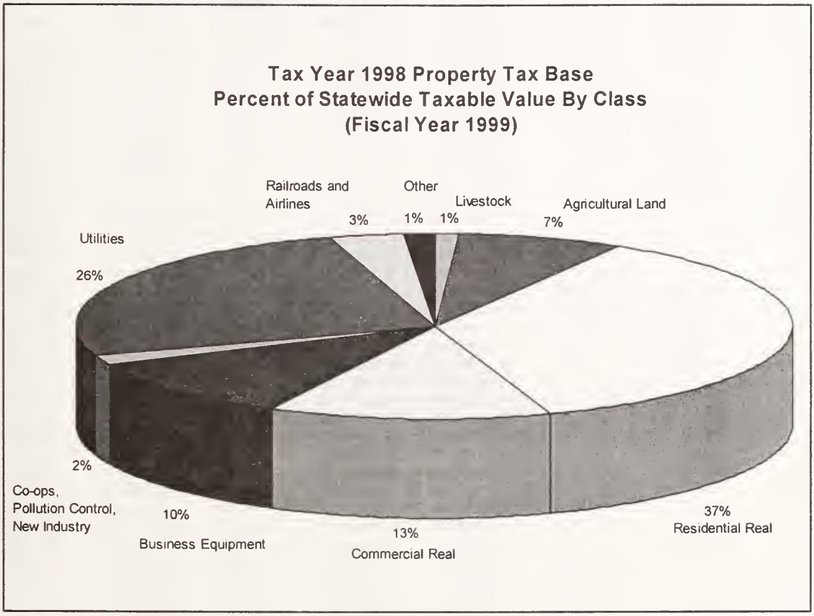
The following types of property are subject to a fee in lieu of property tax:

- Campers
- Motor homes
- Boats
- Airplanes (not in Class Nine)
- Off road vehicles
- Travel trailers
- Motorcycles
- Trailers
- Large Trucks (over 1 ton)



Taxable Value Comparison
Tax Year 1997 with Tax Year 1998
(Fiscal 1998 with Fiscal 1999)

		Taxable Value		Change in Taxable Value	
Class	Description	TY 1997	TY 1998	Dollar	Percent
1	Net Proceeds	$ 6,862,498	$ 7,625,083	$ 762,585	11.1%
2	Gross Proceeds	9,043,600	8,780,846	-262,754	-2.9%
3	Agricultural Land	143,780,426	143,007,340	-773,086	-0.5%
4	Class 4				
	Residential Real	681,598,503	704,138,927	22,540,424	3.3%
	Commercial Real	238,468,848	247,919,791	9,450,943	4.0%
	Class 4 Subtotal	*920,067,351*	*952,058,718*	*31,991,367*	*3.5%*
5	Co-ops, Pollution Control, New Industry	34,033,540	34,068,495	34,955	0.1%
6	Livestock	21,958,438	23,679,865	1,721,427	7.8%
7	Independent Telephone	1,615,772	1,781,069	165,297	10.2%
8	Business Equipment	220,482,314	203,540,116	-16,942,198	-7.7%
9	Utilities	481,958,252	494,534,742	12,576,490	2.6%
10	Timber Land	7,449,042	7,677,880	228,838	3.1%
12	Railroads and Airlines	68,029,050	65,266,087	-2,762,963	-4.1%
	Total	**$1,915,280,283**	**$1,942,020,241**	**$26,739,958**	**1.4%**



Tax Year 1998 Statewide Taxable Values
(Fiscal Year 1999)

Class Description	Class	Taxable Value	Percent of Total
Livestock	6	$ 23,679,865	1.22%
Agricultural Land	3	143,007,340	7.36%
Residential Real	4	704,138,927	36.26%
Commercial Real	4	247,919,791	12.77%
Business Equipment	8	203,540,116	10.48%
Co-ops & Pollution Control	5	34,068,495	1.75%
Utilities	9	494,534,742	25.46%
Railroads and Airlines	12	65,266,087	3.36%
Other	1, 2, 7, 10	25,864,878	1.33%
Total		**$1,942,020,241**	

Taxable Value By County, By Property Class - Tax Year 1998

County	Class 1	Class 2	Class 3	Class 4 Residential	Class 4 Commercial	Class 4 Subtotal	Class 5
Beaverhead	$107	$0	$2,774,213	$6,653,513	$1,780,454	$8,433,967	$338,060
Big Horn	0	0	3,581,481	3,561,768	4,158,690	7,720,458	480,086
Blaine	0	0	4,030,773	2,660,630	629,208	3,289,838	246,519
Broadwater	136,681	0	1,119,527	2,585,415	634,363	3,219,778	92,509
Carbon	136,830	0	2,290,515	9,927,803	1,736,095	11,663,898	145,758
Carter	4,144,095	0	2,057,817	778,294	61,689	839,983	88,582
Cascade	0	0	5,036,812	55,941,149	23,437,485	79,378,634	413,951
Chouteau	0	0	10,271,805	3,876,143	715,487	4,591,630	482,319
Custer	0	0	2,532,887	5,958,034	2,388,110	8,346,144	148,859
Daniels	0	0	2,384,346	1,358,022	268,780	1,626,802	211,966
Dawson	0	0	3,252,601	4,525,339	1,279,531	5,804,870	328,776
Deer Lodge	0	0	374,443	5,005,392	1,564,445	6,569,837	128,669
Fallon	0	0	1,434,363	1,590,888	524,641	2,115,529	157,206
Fergus	0	6,110	5,862,696	7,309,306	1,820,538	9,129,844	360,793
Flathead	0	0	1,542,806	89,010,621	26,247,603	115,258,224	2,031,064
Gallatin	292,215	0	2,817,545	66,064,590	21,534,493	87,599,083	460,277
Garfield	0	0	3,152,865	903,465	90,981	994,446	181,163
Glacier	0	0	2,783,697	3,653,172	1,844,845	5,498,017	739,839
Golden Valley	0	0	1,219,999	592,418	60,952	653,370	88,681
Granite	0	0	670,507	2,554,743	350,296	2,905,039	20,746
Hill	0	0	6,580,574	9,886,561	3,596,139	13,482,700	458,442
Jefferson	27,975	2,917,681	869,515	7,892,574	1,644,782	9,537,356	583,450
Judith Basin	0	0	2,982,153	1,615,431	233,141	1,848,572	84,759
Lake	0	0	1,429,536	32,269,397	4,008,002	36,277,399	207,707
Lewis And Clark	0	0	1,902,620	42,756,853	16,895,156	59,652,009	577,085
Liberty	0	0	3,460,438	1,869,373	353,072	2,222,445	120,654
Lincoln	0	0	242,366	14,080,379	2,923,860	17,004,239	861,122
Madison	2,887,180	4,750	2,405,813	11,032,910	2,058,194	13,091,104	373,333
Mccone	0	0	3,472,013	1,465,232	223,289	1,688,521	325,839
Meagher	0	10,194	1,549,989	1,740,753	276,915	2,017,668	17,877
Mineral	0	0	86,417	2,560,287	700,844	3,261,131	33,190
Missoula	0	0	604,085	73,809,348	38,877,071	112,686,419	1,154,276
Musselshell	0	0	1,691,641	2,343,325	499,866	2,843,191	348,450
Park	0	0	1,702,420	13,261,829	4,204,414	17,466,243	336,143
Petroleum	0	0	970,111	304,217	35,513	339,730	122,572
Phillips	0	114,089	3,772,046	2,788,520	775,276	3,563,796	386,623
Pondera	0	0	4,323,791	3,616,202	1,107,173	4,723,375	314,561
Powder River	0	0	1,938,140	1,159,182	173,088	1,332,270	288,030
Powell	0	0	1,207,856	4,019,395	775,995	4,795,390	164,627
Prairie	0	0	1,194,193	636,631	100,599	737,230	103,712
Ravalli	0	0	1,089,547	32,844,536	5,850,532	38,695,068	776,818
Richland	0	0	3,784,377	5,583,089	2,396,976	7,980,065	592,453
Roosevelt	0	0	3,655,412	3,137,830	1,163,067	4,300,897	252,310
Rosebud	0	0	3,176,730	3,432,488	2,439,925	5,872,413	9,352,505
Sanders	0	0	644,487	7,487,688	1,303,110	8,790,798	144,670
Sheridan	0	0	3,484,228	2,540,094	881,277	3,421,371	208,819
Silver Bow	0	3,642,176	354,110	21,660,481	11,856,789	33,517,270	96,231
Stillwater	0	2,085,846	2,368,022	7,049,083	1,475,838	8,524,921	267,832
Sweet Grass	0	0	1,439,836	2,732,067	620,475	3,352,542	220,423
Teton	0	0	4,759,780	3,899,913	955,442	4,855,355	598,434
Toole	0	0	4,640,637	3,161,658	1,270,697	4,432,355	299,196
Treasure	0	0	875,813	399,882	74,575	474,457	107,516
Valley	0	0	4,723,657	5,036,761	1,651,689	6,688,450	331,764
Wheatland	0	0	1,446,091	1,157,175	204,345	1,361,520	30,307
Wibaux	0	0	1,171,662	631,109	113,503	744,612	84,509
Yellowstone	0	0	3,815,536	99,765,969	45,070,476	144,836,445	6,696,433
Total	**$7,625,083**	**$8,780,846**	**$143,007,340**	**$704,138,927**	**$247,919,791**	**$952,058,718**	**$34,068,495**

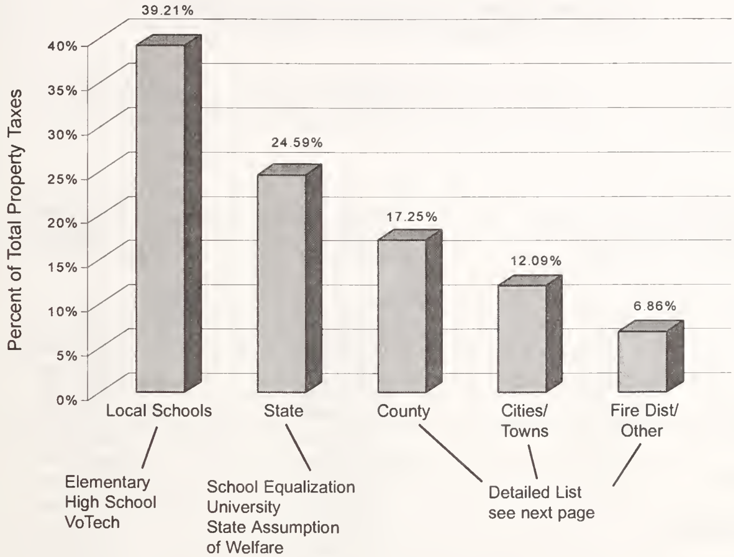
Taxable Value By County, By Property Class - Tax Year 1998 (continued)

County	Class 6	Class 7	Class 8	Class 9	Class 10	Class 12	Total
Beaverhead	$1,139,643	$244,834	$2,479,895	$1,778,504	$30,224	$368,665	$17,588,112
Big Horn	844,785	409,090	7,919,058	3,913,187	30,721	1,219,985	26,118,851
Blaine	629,126	0	1,559,584	3,465,802	1,205	1,172,064	14,394,911
Broadwater	238,841	0	1,758,069	3,943,653	40,725	805,434	11,355,217
Carbon	494,594	114,363	1,530,383	8,523,031	5,386	629,132	25,533,890
Carter	651,963	0	821,851	742,845	8,763	0	9,355,899
Cascade	684,159	117,036	8,285,325	20,649,509	55,306	3,133,108	117,753,840
Chouteau	440,311	0	4,250,109	7,401,110	6,848	477,390	27,921,522
Custer	671,468	0	1,751,109	2,417,663	15,332	1,062,882	16,946,344
Daniels	163,420	0	1,121,663	219,642	0	275,427	6,003,266
Dawson	380,510	0	1,777,603	3,796,779	0	2,208,501	17,549,640
Deer Lodge	73,737	33,032	515,006	2,480,438	114,107	50,844	10,340,113
Fallon	376,401	0	2,497,787	5,055,949	244	464,430	12,101,909
Fergus	1,073,125	0	2,635,814	4,656,021	52,173	443,737	24,220,313
Flathead	270,113	0	11,489,315	15,791,394	1,423,384	3,131,323	150,937,623
Gallatin	571,220	0	9,653,827	13,742,483	306,995	2,413,423	117,857,068
Garfield	634,858	0	744,630	0	182	0	5,708,144
Glacier	236,690	8,011	1,729,122	8,735,261	4,151	1,462,813	21,197,601
Golden Valley	196,927	0	287,422	3,311,922	4,702	438,282	6,201,305
Granite	246,500	0	696,650	3,524,543	271,936	1,030,514	9,366,435
Hill	264,988	0	3,348,164	6,458,197	2,568	3,121,227	33,716,860
Jefferson	219,438	0	4,607,321	4,840,386	42,584	940,936	24,586,642
Judith Basin	562,911	0	1,007,031	6,114,087	6,607	983,540	13,589,660
Lake	497,257	9,110	3,072,283	4,707,221	255,006	794,989	47,250,508
Lewis And Clark	420,662	149,730	6,592,680	17,094,411	217,965	1,892,888	88,500,050
Liberty	152,583	0	1,507,217	990,189	0	562,859	9,016,385
Lincoln	86,504	0	3,154,247	3,180,529	1,304,203	2,660,901	28,494,111
Madison	775,951	0	3,111,658	4,020,303	114,157	727,509	27,511,758
Mccone	343,466	0	1,302,456	171,013	0	173,585	7,476,893
Meagher	487,092	0	588,072	4,133,750	156,546	0	8,961,188
Mineral	21,031	0	375,467	3,708,523	206,450	977,553	8,669,762
Missoula	240,216	0	17,423,891	19,042,064	1,087,786	3,167,756	155,406,493
Musselshell	401,244	0	905,090	1,462,076	63,371	0	7,715,063
Park	463,644	0	2,283,743	5,746,965	226,970	994,669	29,220,797
Petroleum	289,656	0	358,204	0	911	0	2,081,184
Phillips	735,153	0	2,001,451	5,589,165	525	1,109,141	17,271,989
Pondera	271,652	0	2,114,491	3,401,798	1,719	678,490	15,829,877
Powder River	677,938	0	797,466	238,035	7,051	0	5,278,930
Powell	409,895	0	947,277	4,526,445	443,473	1,008,901	13,503,864
Prairie	324,557	0	494,584	433,167	179	1,004,029	4,291,651
Ravalli	504,199	0	2,522,216	4,621,526	175,494	850,005	49,234,873
Richland	340,968	0	3,949,154	3,827,655	0	575,244	21,049,916
Roosevelt	230,573	0	2,328,999	13,736,352	0	2,343,481	26,848,024
Rosebud	666,231	0	7,770,627	150,601,128	18,421	1,426,941	178,884,996
Sanders	197,689	58,902	1,244,835	22,548,379	844,084	2,689,894	37,163,738
Sheridan	225,509	0	2,556,832	600,508	0	712,205	11,209,472
Silver Bow	77,085	30,408	21,237,448	12,509,583	23,452	714,142	72,201,905
Stillwater	492,880	285,777	4,694,530	9,514,317	27,381	722,571	28,984,077
Sweet Grass	490,930	0	776,517	2,103,884	35,326	715,757	9,135,215
Teton	534,509	0	1,821,536	1,917,285	18,488	924,047	15,429,434
Toole	224,363	0	2,350,689	3,024,899	0	1,622,731	16,594,870
Treasure	203,190	0	327,066	1,913,397	5,728	888,408	4,795,575
Valley	533,750	0	2,005,154	11,288,315	0	1,660,636	27,231,726
Wheatland	379,817	0	615,131	7,584,139	5,685	337,033	11,759,723
Wibaux	193,096	0	640,686	520,188	0	350,411	3,705,164
Yellowstone	720,847	320,776	29,201,681	38,215,127	13,366	7,145,654	230,965,865
Total	**$23,679,865**	**$1,781,069**	**$203,540,116**	**$494,534,742**	**$7,677,880**	**$65,266,087**	**$1,942,020,241**

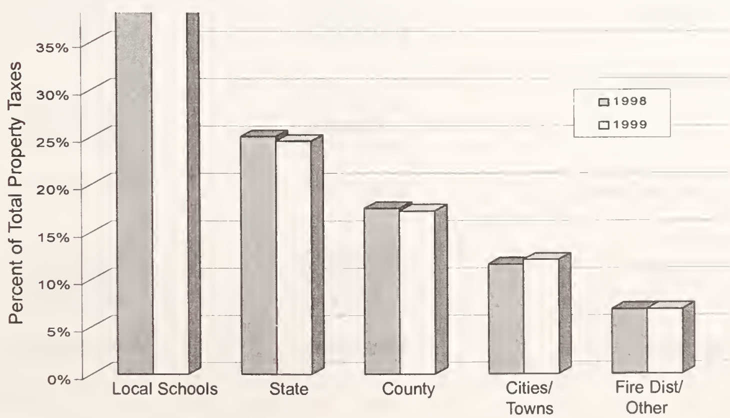
TAXABLE VALUE AND ESTIMATED PROPERTY TAXES PAID BY PROPERTY CLASS - TAX YEAR 1997 (Fiscal Year 1998)

Class	Description	Taxable Value	Estimated Property Taxes Paid
1	Net Proceeds	$ 6,862,498	$ 2,038,708
2	Gross Proceeds	9,043,600	3,481,081
3	Ag Land	143,780,426	49,610,380
4	Class 4		
	Residential	681,598,503	277,348,510
	Commercial	238,468,848	104,820,831
	SID'S (Special Improvement Districts)		35,114,647
	Subtotal Class 4	*$ 920,067,351*	*$ 417,283,988*
5	Co-ops, Poll. Control	$ 34,033,540	$ 10,438,471
6	Livestock	21,958,438	7,516,339
7	Independent Telephone	1,615,772	528,648
8	Business Equipment (at 7%)	220,482,314	81,845,613
9	Utilities	481,958,252	148,244,322
10	Timber Land	7,449,042	2,655,400
12	Railroads and Airlines	68,029,050	24,715,848
	Total	**$ 1,915,280,283**	**$ 748,358,798**
	Taxes Paid to Miscellaneous Districts		54,852,120
	Grand Total of Property Taxes Paid For All Purposes		**$ 803,210,918**

Distribution of Fiscal Year 1999 Property Tax Dollars



Comparison of Property Tax Dollars Fiscal Years 1998 and 1999



Taxes Levied in Montana 1997 and 1998
(Fiscal Year 1998 and 1999)

	TY 1997	TY 1998
Market Valuation	$37,720,655,146	$40,825,618,661
Taxable Valuation	$1,915,280,283	$1,942,020,241
State		
University	$11,511,437	$11,583,749
School Equalization	182,264,420	183,409,360
State Assumption of Welfare	6,655,737	6,795,982
Subtotal	$200,431,594	$201,789,091
County		
General	$42,850,151	$42,473,310
Road	18,828,219	18,809,982
Bridge	6,563,448	6,528,487
Poor	5,043,185	4,582,997
Bond Interest	213,345	177,720
County Fair	2,187,048	2,263,377
Library	3,735,363	3,931,647
Agri. Extension	2,102,216	2,053,822
Planning	864,869	668,386
Health and Sanitation	2,836,008	3,280,373
Hospital	1,392,667	1,287,720
Airport	1,074,787	1,060,255
Other	52,526,120	54,453,330
Subtotal	$140,217,426	$141,571,406
Local Schools		
Elementary	$170,161,249	$176,737,287
High School	136,320,321	140,617,836
Vo-tech and Jr. College	4,329,201	4,407,037
Subtotal	$310,810,771	$321,762,160
Miscellaneous Districts		
Fire	$14,691,069	$14,613,086
Other	40,161,051	41,662,473
Subtotal	$54,852,120	$56,275,559
Total Except Cities and Towns	$706,311,911	$721,398,216
Cities and Towns		
General	$57,629,854	$60,161,311
Special Improvements	35,114,647	39,009,027
Subtotal	$92,744,501	$99,170,338
Grand Total All Taxes	**$799,056,412**	**$820,568,554**

Residential Property Tax Rates

Largest City in Each State
Northwest United States, 1995

Rank	City	State	Assessment Level	Effective Rate Per $100 Market Value
1	Sioux Falls	South Dakota	100.0%	$2.55
2	Fargo	North Dakota	4.4%	$2.06
3	Boise	Idaho	97.3%	$1.82
4	Portland	Oregon	100.0%	$1.80
5	**Billings**	**Montana**	**3.9%**	**$1.66**
6	Salt Lake City	Utah	80.3%	$1.55
7	Seattle	Washington	88.1%	$0.98
8	Cheyenne	Wyoming	9.5%	$0.76

SOURCE: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison

BUSINESS PROPERTY TAX INCENTIVES

Property tax incentives can generally be divided into two categories: property tax abatements and local option property tax exemptions. Property tax abatements result in a reduction in the taxable value of the property. This is accomplished by directly reducing the taxable value of property or by applying a reduced tax rate to the property's assessed value. Local option property tax exemptions exclude part or all of the entire value of property from taxation. A third type of incentive available is the suspension and cancellation of delinquent property taxes to facilitate the purchase and continued operation of a business.

PROPERTY TAX ABATEMENTS

New Industry (State Determined)
New industrial property, including real and personal property, is eligible for a reduced taxable valuation rate of 3% (normally 3.816% for real property and 6% for personal property in 1998) for the first three years of operation. (15-6-135(1)(e), MCA)

New or Expanding Industries (Local Option)
If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion. (Title 15, Chapter 24, Section 14)

Remodeling/Expansion of Existing Buildings (Local Option)
If approved by the local governing body, remodeling, reconstruction or expansion of existing buildings or structures may qualify for a reduced tax rate for five years following construction. (Title 15, Chapter 24, Section 15)

Expanding "Value-Added" Machinery and Equipment (State Determined, Local Option)
If approved by the local governing bodies, an existing value added industry that expands to include value-added equipment is entitled to receive a decrease in the tax rate and the value-added machinery and equipment.

Research and Development (State Determined)
Property devoted to research and development is eligible for a reduced taxable valuation rate of 3% (normally 3.816% for real property and 6% for personal property in 1998). (15-6-135(1)(e), MCA)

Pollution Control Property (State Determined)
Air and water pollution control property is eligible for a reduced taxable valuation rate of 3% (normally 3.816% for real property and 6% for personal property in 1998). (15-6-135(1)(b) and 15-6-135(2)(a), MCA)

Gasohol Producing Property (State Determined)
Property used to produce gasohol is eligible for a reduced taxable valuation rate of 3% [normally 3.816% for real property and 6% for personal property in 1998). (15-6-135(1)(d), MCA)

Electrolytic Reduction Equipment (State Determined)
Machinery used in electrolytic reduction facilities is eligible for a taxable valuation rate of 3% (normally 6% for personal property in 1998 and thereafter). (15-6-135(1)(f), MCA)

Canola Seed Oil Processing Equipment (State Determined)
Machinery used in canola seed oil processing is eligible for a taxable valuation rate of 4% (normally 6% for personal property in 1998 and thereafter). (15-6-136(1)(c), MCA)

LOCAL OPTION PROPERTY TAX EXEMPTIONS

Exemption for Business Incubators (Local Option)
If approved by the local governing body, a business incubator owned or leased and operated by a local economic development organization is eligible for an exemption from property taxes. (Title 15, Chapter 24, Section 18)

Industrial Parks (Local Option)
If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from property taxes. (Title 15, Chapter 24, Section 19)

Suspension, Cancellation of Delinquent Taxes (Local Option)
If approved by the local governing body, delinquent property taxes on commercial property may be suspended to facilitate the purchase and continued operation of a business utilizing the commercial property. (Title 15, Chapter 24, Section 17)

BUSINESS PROPERTY TAX EXEMPTIONS

Type of Exemption	Test to Qualify
Government (Federal, State, Local, School, etc.)	Ownership
Religious	Ownership & Use
Agricultural & Horticultural	Exclusive Use
Educational	Exclusive Use
Nonprofit Health Care Facilities	Exclusive Use & Nonprofit & Health Care License
Cemeteries	Ownership, Use & Nonprofit
Institutions of Purely Public Charity	Ownership & Use
Property Leased from a Federal, State, or Local Government by Institutions of Purely Public Charity & Used for those Purposes.	Lease & Use
Public Museums	Nonprofit & Use
Art Galleries	Nonprofit & Use
Zoos	Nonprofit & Use
Observatories	Nonprofit & Use
Household Goods & Furniture	Ownership & Use
Truck Canopy Cover or Topper	Less Than 300 Lbs & No Accommodations Attached
Bicycle Use & Ownership	Ownership & Use
Corp. Organized to Furnish Potable Water to its Members (Other Than Ag Irrigation)	Nonprofit & Ownership

Type of Exemption	Test to Qualify
Right of Entry	None
Corporations Providing Care for the Developmentally Disabled, Mentally Ill, or Vocationally Handicapped	Ownership, Use & Nonprofit
Corporations Operating Facilities for the Care of the Retired, Aged, or Chronically Ill	Ownership, Use & Nonprofit
Farm Buildings	Value Less Than $500
Agricultural Implements	Value Less Than $100
Facilities Used for Training, Practice, or Competition in Int'l. Sports & Athletic Events	Nonprofit, Use & Ownership
Hand Held Tools	Use & Exempt First $15,000 Market Value
Harness, Saddlery, & Tack	None
Title Plant	Ownership
Nonfossil Energy Generation of Low Emission Wood or Biomass Combustion Devices	Recog. Form, Exempt for 10 Years Following Installation $100,000 Exempt for Multifamily Residences, $20,000 Single Family Residence
Veteran's Clubhouses	Nonprofit, Use & Ownership
Freeport Merchandise & Business Inventory	Use
State Water Conservation Projects	Ownership & Use
Irrigation & Drainage Facilities	Use
Nonprocessed Agricultural Products	Ownership & Use
Beet Implements	Use
Community Services Buildings	Nonprofit, Use, Ownership & Land up to 3 Acres
Down-hole Equipment in Oil & Gas Wells	None
Motion Picture & Television Commercial Property	Use & Can't be in the State for More Than 180 Consecutive Days
Trailer & Semitrailers with Licensed Gross Weight of 26,000 Lbs or More	Design & Use

SPECIAL PROPERTY TAX APPLICATIONS FOR RESIDENTIAL PROPERTY

Type of Exemption	Test to Qualify
Disabled/Deceased Veterans' Residences (15-6-211, MCA)	Applies to residence and lot - owned & occupied by 100% service connected disabled veteran or veteran's spouse if deceased - subject to income limits
Class 4 Property Tax Assistance (15-6-134(1)(C), MCA)	Applies to first $100,000 of market Value, land can't exceed 5 acres, house must be occupied for 7 months a year as the primary residence, subject to income limitations, and amount of reduction is based on a graduated scale that is based on income increments.
Elderly Home Owner/Renter Credit (Title 15, Chapter 30, Section 1)	A credit against Montana income tax liability is allowed for qualifying elderly homeowners and renters. The credit is provided to help offset property tax paid.

DECEASED/DISABLED VETERAN'S EXEMPTION

Residential property of certain disabled veterans, and the spouses of deceased veterans, is exempt from property taxation.

Deceased Veterans
A residence, including the lot on which it is built, that is owned by the spouse of a veteran is exempt from property taxation provided that the veteran was killed while on active duty, or died as the result of a service-connected disability.

Disabled Veterans
A residence, including the lot on which it is built, that is owned by a disabled veteran is exempt from property taxation provided that the veteran.

1. has been honorably discharged from active serviced in any branch of the armed forces;
2. is rated 100% disabled due to a service-connected disability by the U.S. Department of Veterans Affairs; and
3. has an annual adjusted gross income, as reported on the latest federal income tax return, of less than $30,000 ($36,000 if married).

LOW INCOME PROPERTY TAX ASSISTANCE PROGRAM
FORM PPB-8

Montana property owners can have their property taxes reduced if they meet certain qualifications. The form to receive the credit is filed with the local Department of Revenue office in the county where the property is located.

OWNERSHIP: The home or mobile home must be owned or under contract for deed.

RESIDENCY: The owner must occupy the dwelling for at least 7 months as their primary residence.

INCOME: The owner's total income, including otherwise tax exempt income, must not exceed $15,718 for a single person or $20,957 for a married couple. Social Security income paid to a nursing home is not considered income.

ITEMS INCLUDED IN INCOME:

1. wages, fees, bonuses, capital gains, ordinary income, interest, and dividends;
2. total income from business, partnerships, rents, royalties;
3. payments and interest on federal, state, county, and municipal bonds;
4. alimony, public assistance, unemployment, and tax refunds; and
5. all pensions and annuities, including railroad retirement, PERS, veteran's disability and social security.

APPLICATIONS: The owner must apply for the reduction before March 15 of each year.

MAILING: The PPB-8 form must be mailed or delivered to the local Department of Revenue office.

QUESTIONS: Telephone your local Department of Revenue office or the Department of Revenue office in Helena at 444-6900.

COMPUTATION: The reduction is determined using the property owner's total income including the spouses income. The tax rate applied to the market value of the property is reduced depending on the owner's income.

1998 TAXABLE VALUE RATE TABLE FOR LOW INCOME PROPERTY TAX ASSISTANCE REDUCTION

Single Person	Married Couple	Percent Multiplier
$0 - $ 6,287	$0 - $ 8,383	20%
6,288 - 9,640	8,384 - 14,670	50%
9,641 - 15,718	14,671 - 20,957	70%

EXAMPLE: DETERMINATION OF PROPERTY TAX

Market Value (appraised value) of the home = $100,000
Income for a married couple living in town = $6,580

WITHOUT REDUCTION
$100,000 (market value) x 3.816% = $3,816 (taxable)
$3,816 (taxable) x .400 (local mill levy) = $1,526 (property tax)

WITH REDUCTION
$100,000 (market value) x (3.816% X 20% = .7632%) (see table) = $763 (taxable)
$763 (taxable) x .400 (local mill levy) = $305.20 (property tax)

A copy of the PPB-8 form is in the Appendix of this booklet.

LOW INCOME PROPERTY TAX ASSISTANCE APPLICATIONS APPROVED IN 1998 - 10,717

County	Applications Approved	County	Applications Approved
Beaverhead	142	McCone	17
Big Horn	51	Meagher	42
Blaine	49	Mineral	117
Broadwater	78	Missoula	826
Carbon	186	Musselshell	75
Carter	16	Park	202
Cascade	709	Petroleum	4
Chouteau	40	Phillips	120
Custer	199	Pondera	75
Daniels	27	Powder River	19
Dawson	91	Powell	130
Deer Lodge	201	Prairie	22
Fallon	29	Ravalli	892
Fergus	154	Richland	118
Flathead	1125	Roosevelt	54
Gallatin	209	Rosebud	48
Garfield	5	Sanders	299
Glacier	112	Sheridan	53
Golden Valley	14	Silver Bow	752
Granite	55	Stillwater	89
Hill	179	Sweet Grass	61
Jefferson	114	Teton	76
Judith Basin	15	Toole	55
Lake	418	Treasure	8
Lewis And Clark	333	Valley	92
Liberty	14	Wheatland	38
Lincoln	538	Wibaux	7
Madison	63	Yellowstone	1260

ELDERLY HOMEOWNER/RENTER CREDIT
(Circuit Breaker)
15-30-171 thru 15-30-179, MCA

How the Program Works
The circuit breaker provides tax relief to specific homeowners based on the relationship between the homeowner's property tax and income. (In the case of renters, the property tax equivalent is defined to be 15% of the gross rent paid during the tax year.)

Due to the inter-relationship between property tax and income levels, certain property owners (renters) will not be eligible to receive any benefit from this program. Generally, these are individuals whose property values or rents are low in relation to their income. To understand this fully, it is necessary to understand how the circuit breaker program works. This section discusses the credit as it applies to a homeowner, but the same principles also apply to renters.

The amount of credit allowed is equal to the amount of property tax paid less a deduction:

Credit = Property Tax Paid - Deduction

The amount of the deduction is equal to a specific percentage of "household income". These percentages are set in statute, and increase as household income increases in accordance with the following schedule:

Household Income	Amount of Deduction
$0 - 999	$0
1,000 - 1,999	$0
2,000 - 2,999	the product of .006 times the household income
3,000 - 3,999	the product of .016 times the household income
4,000 - 4,999	the product of .024 times the household income
5,000 - 5,999	the product of .028 times the household income
6,000 - 6,999	the product of .032 times the household income
7,000 - 7,999	the product of .035 times the household income
8,000 - 8,999	the product of .039 times the household income
9,000 - 9,999	the product of .042 times the household income
10,000 - 10,999	the product of .045 times the household income
11,000 - 11,999	the product of .048 times the household income
$12,000 & over	the product of .050 times the household income

"Household income", as used in this table is equal to "gross household income" less $6,300. Gross household income is all income of all individuals in the household, and includes federal adjusted gross income plus all non-taxable income as defined in statute. To be eligible, "gross household income" must be less than $35,000. Also, in no case may the amount of the credit exceed $1,000.

A specific example should help clarify how this program works. Assume the taxpayer lives in a house valued at $75,000 and a mill levy of 400. The taxpayer has $15,500 of total income. Based on these assumptions, this individual is entitled to a credit equal to $759, calculated as follows:

Market value	$75,000
Taxable value rate	x .03816
Taxable value	$2,862
Mill levy	x .400
Property tax	$1,145
Gross income	$15,500
Exclusion	- 6,300
Household income	$9,200
Deduction factor	x .042
Deduction	$386
Credit ($1145 - 386)	$759

As discussed earlier, certain individuals will not be eligible for the credit depending on the relationship of their property tax to their income. In the above example, individuals with the same property tax but whose incomes exceed $29,200 would not be entitled to any credit, because the calculation of the deduction amount would exceed the property tax paid.

Current Use of Program

Data retrieval systems within the individual income tax division show the following information regarding use of this program for the past eight years:

Tax Year	Claimants	Total Credit	Average Credit
1990	16,490	$ 3,586,692	$ 217
1991	17,294	$ 4,091,665	$ 237
1992	18,234	$ 4,522,814	$ 248
1993	19,079	$ 5,068,179	$ 266
1994	21,346	$ 5,819,413	$ 273
1995	21,859	$ 7,968,802	$ 365
1996	22,002	$ 8,200,406	$ 392
1997	20,188	$ 8,616,585	$ 427

ELDERLY HOMEOWNER/RENTER CREDIT
(1998 TAX YEAR)
FORM 2EC

Taxpayers can receive a maximum $1,000 refundable credit for paying property taxes or rent. The form to receive this credit can be filed with the income tax return or by itself if a tax return is not required to be filed.

AGE
The taxpayer or spouse must be age 62 or older as of December 31 of the previous year.

RESIDENCY
1. Taxpayer must have resided in Montana for 9 months or more, and

2. must have occupied a Montana residence as owner or renter for a total of 6 months during the previous year.

FILING INFORMATION
Form 2EC can be filed (1) by itself, if the individual is not required to file a tax return or (2) with the Montana income tax return. **Only one claim per household may be filed.**

DUE DATE
Form 2EC must be submitted on or before April 15.

If Form 2EC is filed late, a letter stating the reason for being late must be attached. If there is good reason for the late filing, the claim will be accepted. Claims filed more than 5 years late will not be accepted.

MAILING ADDRESS
Montana Department of Revenue
P.O. Box 6577
Helena, MT 59604-6577

QUESTIONS
Telephone 444-3674.

COMPUTATION
The credit is computed using household income and total property taxes billed, including special assessments and fees, on the residence and land or rent paid in the previous year.

HOUSEHOLD
An association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations and expenses. It does not include bona fide lessees, tenants, or roomers and boarders on contract.

HOUSEHOLD INCOME
Includes total income, whether taxable or not, received by all individuals of a household while they are members of the household. Total income is reduced by $6,300 to arrive at household income. Income (such as social security) paid directly to a nursing home by an agency is not considered income. Losses cannot be included with income.

EXAMPLES
1. Wages, fees, bonuses, capital gains, ordinary income, interest, & dividends.
2. Total income for business, partnerships, rents, royalties, etc.
3. Payments and interest on federal, state, county & municipal bonds.
4. Alimony, public assistance, unemployment, & tax refunds.
5. All pensions & annuities, including railroad retirement, PERS, veteran's disability & social security.

NET ALLOWABLE HOUSEHOLD INCOME
Computed by multiplying household income by a multiplier figure provided on Form 2EC.

If net allowable household income is less than allowable property tax and/or rent paid, the individual will receive a refund for the difference, not to exceed $1,000.

GENERAL PROPERTY TAXES
The total property taxes levied against the house and surrounding land, not in excess of one acre, including special assessments. Penalties or interest paid during the claim period are not allowed.

SPECIAL ASSESSMENTS
Includes: transit fees, city assessment, sprinkling, sanitation, maintenance fees, garbage, landfill, storm sewer, paving, lighting, irrigation, water system, sweeping, T.V. district, predator or mosquito control, livestock, rural fire, and any special improvement district (SID) charges.

ALLOWABLE RENT PAID
Computed by multiplying rent paid on the residence by a 15% rent equivalent.

VERIFICATION REQUIRED BY THE DEPARTMENT OF REVENUE

HOMEOWNER
A copy of the property tax bill or a document from the County Treasurer showing total general taxes billed in 1998, including special assessments and fees, must be attached to Form 2EC.

RESIDENCE
OVER 1 ACRE: Multiply taxable value of residence and land not exceeding 1 acre by the district mill levy.

RENTER
Residents of subsidized housing are allowed to claim the credit. Only the actual amount of rent paid can be claimed. Copies of canceled checks or a rent receipt from the landlord must be attached to Form 2EC

HOMEOWNER & RENTER
Attach rent and property taxes billed if you (1) own your home and rent the land or (2) rent your home and own the land.

See form in Appendix I (in the back of the guide).

FOREST LAND TAXATION IN MONTANA

How Is Forest Land Valued?
The Montana legislature passed the Forest Lands Tax Act in 1991. This law requires the Department of Revenue to value forest land based on land productivity.

The legislature defined the productivity formula and each component of that formula. It also provided for specific forest valuation zones, with each zone designated to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other factors important to the valuation of the forest land in that geographic area.

The potential productivity system was supported by the forest products industry, the Montana Tree Farmer's Association and other forestry landowners.

How Does the Productivity Classification System Work?
Forested land must be at least 15 contiguous acres or larger in size and in the same ownership to be classified as commercial forest land. Forested land less than 15 contiguous acres in size is classified as nonforest land.

Potential forest growth is estimated for each acre of forested land, including "clearcuts." That growth is measured in cubic feet per acre per year. The estimated potential forest growth is placed in one of four productivity classes.

Forested land which does not meet the minimum growth requirement is classified as noncommercial forest land. This minimum growth requirement is 25 cubic feet per acre per year at the peak biological age of a stand (the technical forestry term for peak biological age is "culmination of mean annual increment"). Noncommercial forest land is not valued as forest land for property tax purposes.

Nonforest and noncommercial forest land may be valued as tract land, agricultural land or "Nonqualifying" agricultural land.

Class IV	poor productivity	(25 to 44.9 cu.ft./ac.yr.)
Class III	fair productivity	(45 to 64.9 cu.ft./ac.yr.)
Class II	good productivity	(65 to 84.9 cu.ft./ac.yr.)
Class I	excellent productivity	(85+ cu.ft./ac.yr.)

Does the Forest Land Valuation System Tax Standing Timber?
No. Standing timber is exempt from property taxation. Only the land, not the standing timber, is eligible for property taxation. If a land owner deeds his timber to another party, the landowner, not the timber owner is responsible for the forest land property tax.

Does the Productivity Tax Pressure Landowners to Harvest Their Timber?
No. On any given commercial forest land site, a clear-cut would receive the same value as an old growth stand (standing timber is not taxed). Forest management practices will not influence the forest assessment. Knowledgeable forest landowners will realize that they can practice intensive forest management to optimize wood production and enhance other nontimber elements, without the penalty of higher forest land property taxes.

Isn't Agricultural Land Valued on the Basis of Productivity?
Yes. Agricultural and forest lands are often intertwined. Both types of land are valued under the "productivity" concept.

Explain the Productivity Formula to Me.
The formula can be described as:

$$\text{Appraised Value} = \frac{\text{Net Forest Income} + \text{Net Grazing Income}}{\text{Capitalization Rate}}$$

Net Forest Income = Gross Forest Income - Forest Costs
Net Grazing Income = Gross Grazing Income - Grazing Costs
Capitalization rate = This rate is used to convert a net income stream into an estimate of present value.

Who Compiles the Information Used in this Formula?
Many people are instrumental in compiling the valuation information. The Montana Department of Revenue hires a nationally recognized forest economist at the University of Montana, School of Forestry, to develop the forest land valuation zones and the average stumpage value in each valuation zone. The Department of Revenue compiles the forest costs and the capitalization rate.

Representatives from the forest products industry and Montana Tree Farmer's Association review the data and provide their input.

How Does the Valuation System Work?
The forest and agricultural land appraisal system use valuation schedules to apply a single value to each productivity grade. Agricultural land appraisal uses a single, statewide valuation schedule. Forest land appraisal uses five valuation schedules in the state. The forest land classification system contains four productivity grades. Therefore, there are 20 different per acre forest land values in the state.

Each value in a schedule represents a range of productivity, income, costs, and interest rates. Income and expense data represent averages for a base period of time. The forest land schedules which were implemented in 1997, use data compiled from 1991-1995. The values associated with the new schedules were phased-in in accordance with SB195. Appraisal values will not change until the year 2010, when the next appraisal cycle is implemented.

Explain the Forest Land Tax Class Percentage to Me.
The legislature assigns all taxable property to individual tax classes. There are currently 11 property tax classes. Forest land is in Property Tax Class 10. The legislature specifies the tax class percentages that are applied against the value of the property within each tax class to calculate the taxable value.

A parcel of land may have several classes of property. The most common property classes for rural land are forest land, agricultural land, "nonqualifying" agricultural land, and a one acre homesite. Each property class has a different tax class percentage.

Agricultural Land	.03816
Forest Land	.0079
Nonqualifying Agricultural Land	.26712
1 Acre Home Site	.03816

The forest land taxable value is 79/100 of 1 percent of the appraised value (.0079). It requires $10,000 in forest land appraised value to produce $79 in taxable value. In contrast, $10,000 in agricultural appraised value will produce $382 in taxable value.

Property Tax - Forest Land Taxation (continued)

How Do I Calculate The Tax on My Forest Land?
The phase-in value for each type of property is multiplied by the tax class percentage for that property class. The result is the taxable value. The total taxable value is then multiplied by the mill levy to arrive at the property tax.

Example:

Assume that in 1998 you own a 130-acre parcel of land in Missoula County. This county is located in forest valuation zone two. The parcel has 30 acres of forest land and 100 acres of nonforest land . The forest land has 20 acres of fair productivity and 10 acres of poor productivity. The 100 acres of nonforest land doesn't meet agricultural eligibility requirements and is classified as nonqualified agricultural land. The 1998 fair forest land value (grade III) is $295.99 per acre. The poor forest land productivity (grade IV) is $178.44. The statewide 1998 nonqualified agricultural value is $33.24 per acre. For this tax calculation example, we assume the mill levy for 1998 is 390 mills.

1998 Forest Land Tax Calculation:

20 acres x $295.99/ac. = $5,920 (appraised value - forest land)
10 acres x $178.44/ac. = $1,784 (appraised value - forest land)
100 acres x $33.24/ac. = $3,324 (appraised value - non-qualified ag. land)

Total Forest Land Appraised Value = $7,704
Total Nonqualified Agricultural Appraised Value = $3,324

$7,704 x .0079 (tax class 10) = $61 (taxable value)
$3,324 x .26712 (tax class 3) = $888 (taxable value)

$61 + $888 = $949 (total taxable value)
$949 X .390 (mill levy) = $370.11 (tax)

Note: The decimal point in a mill levy is moved three places to the left to calculate the tax, so 390 mills equals .390.

What Is the Average Forest Land Tax in Montana?
The weighted average forest land tax in 1996 was $0.61 per acre. As a result of SB195, the 1998 weighted average forest land tax is $.67 per acre. The weighted average taxable value in 1996 was $1.79 per acre. The weighted average taxable value in 1998 is $1.87 per acre.

How Do I Know What My New Forest Land Values Are?
When there is a change in valuation or ownership, the Department of Revenue mails property assessment notices, to the owner of record, that reflect the value of the property as of January 1 of that year. All forest land owners received a new assessment notice in the spring of 1997 showing the change in appraised and taxable values that resulted from implementation of the new forest land valuation schedules. For those taxpayers who can't locate their assessment notice, the local Department of Revenue office in the county where the forest land property is located will have the valuation information.

Where Can I Go to See How My Forest Land Values Were Determined?
The forest land valuation schedules and a state map depicting the forest land valuation zones may be obtained from your local Department of Revenue office. The maps depicting the productivity classifications can be viewed in the Department of Revenue office of the county where the property is located.

Can I Appeal My Forest Land Property Value?
Yes. Your property appeal rights and appeal dates are identified on your assessment notice. However, prior to filing an appeal, we would like the opportunity to answer any questions or concerns you might have with the value we have placed on your property. That's why we provide an informal review process. That process allows you to make a written request for valuation review. The form used to make that request is called an AB-26. It allows you the opportunity to explain why you believe the value on your assessment notice is incorrect. It also requires that local staff give you a written response after they have reviewed your concerns and recommendations.

If we can't resolve your concerns to your satisfaction through the informal appeal process, there are appeal boards available in your county to hear your concerns. Please do not wait until you receive a tax bill to voice your concerns. Your tax bill includes items, other than value, such as special improvement district assessments, rural district charges, and various fees. Again, if you have waited until after you have received your tax bill to express a concern about your forest land value, the deadline for appeal will have expired. For specific time frames, please refer to your assessment notice.

We're Pleased to Visit with You about Your Forest Land Property Assessment.
Everyone who is involved in the taxation process wants to help you understand how your property taxes are determined and what services your property tax dollar provides. For more information about your assessment, please contact your local Department of Revenue office.

HISTORY OF AGRICULTURAL LAND TAXATION IN MONTANA

As of July 1, 1973, the Department of Revenue was delegated the responsibility for classifying all agricultural lands. Previously, that was the duty of the county commissioners under Chapter 191, Laws of 1957. As with the previous law, the values determined by the Department were to be based on the productive capacity of the land, i.e., the ability of the land to produce income from a cash crop (wheat, hay, forage for grazing, etc.).

Standardized agricultural land valuation schedules were developed in the early 1960's. The values were based on a capitalization of net operating income (gross income less operating expenses). Data sources for income, expense and production information included the USDA Crop and Livestock Reporting Service, Montana Department of Agriculture Statistics, the ASCS, SCS, BIA, BLM and other government agencies.

The Department updated and revised the agricultural land valuation schedules for the reappraisal cycle which concluded on December 31, 1985. Again, the primary source of the data was the various government agencies. A concerted effort was made to include individual operations and agriculturally related associations to help refine the figures.

After developing the new valuation schedules, public comment was solicited through the administrative rules process. The new schedules would have increased the valuation of some types of agricultural land. Agriculturalists expressed their lack of support of the new valuation schedules. As a result, former Governor Ted Schwinden suspended the rules hearing process. He directed the Department to assemble an advisory committee to review the data and procedures and make changes if necessary.

The advisory committee had difficulty arriving at a consensus on the agricultural land valuation schedules. The 1985 Legislature froze the agricultural land valuation schedules that were in effect, specified the approach for developing future agricultural land valuation schedules and required the formation of an agricultural advisory committee.

In September, 1990 the Department of Revenue Agricultural Advisory Committee was appointed. The committee reviewed, evaluated and recommended changes to the taxation of agricultural land. It presented its recommendations at public meetings held throughout the state. The recommendations of that committee were presented in legislation that was passed by the 1993 Legislature as Senate Bill 168. It required specific methodology, formula, and data sources in the calculation of the new agricultural land valuation schedules. While the appraised value of agricultural land increased significantly, the statewide impact of the new schedules was taxable value neutral. There were shifts in value, however, within the various classes of agricultural land (i.e. grazing, non-irrigated farm land, continuously cropped hay land, non-irrigated continuously cropped farm land, and tillable irrigated land). The tax rate for agricultural land was reduced from 30% to 3.86%. That was the same rate used for residential and commercial property.

To mitigate the impact on agricultural taxpayers, the bill provided a phase-in of the change in taxable values over a four-year period. That affected both increases and decreases in value.

Finally, Senate Bill 168 established another interim agricultural land advisory committee to review water costs and other issues applicable to the valuation and assessment of agricultural land. That committee was appointed in November, 1993. It made recommendations to the Department of Revenue. Committee recommendations that were adopted by the 1995 legislature in Senate Bill 198 included:

- allowing a base water cost of $ 5.50 per irrigated acre
- establishing an energy cost base year for irrigated land
- limiting allowable water costs to a maximum of $35 per acre of irrigated land
- continuing the phase-in of the taxable value of irrigated land

In May of 1996 another agricultural land valuation advisory committee was appointed as required by law. The committee reaffirmed the specific methodology, formula and data source requirements in current law, updated those requirements using current data, and recommended new agricultural land valuation schedules to the Department. Those schedules were used for valuation and taxation purposes for the 1997 tax year. In accordance with the provisions of SB195, the new schedules were phased-in.

VALUATION OF AGRICULTURAL LAND

Statutory formula for determining productive capacity value:

V = Value of the Land
I = Net Income Produced by the Land
R = The Rate Used to Capitalize the Income Produced by the Land

The formula reads and is calculated as:

$$V = I/R$$

Example of Calculation:

Income Per Acre = $50
Capitalization Rate = 6.4%
Value = $781.25 Per Acre
V = $50 ÷ 6.4% = $781.25/Acre

As the Capitalization Rate is decreased, the resulting Value increases.

SUMMARY OF AGRICULTURAL LAND TAXATION

Approximately 51½ million privately owned acres are classified as agricultural land in Montana.

Agricultural land taxation consists of 2 parts:

1. Classification
The determination of the agricultural use and the productive capability of that use for each acre of taxable agricultural land.

2. Valuation
The determination of agricultural land valuation schedules. The application of those valuation schedules to each acre of taxable agricultural land.

The criteria for classifying property as agricultural are:

1. Parcels of land 160 acres or more under one ownership are taxed as agricultural land. These lands are taxed at 3.816% of their agricultural productive capacity value.

2. Parcels of land containing 20 acres or more but less than 160 acres under one ownership are taxed as agricultural land if the land is used primarily for raising and marketing agricultural products. The agricultural use test presumes that land is agricultural if $1500 in annual gross income is produced and marketed from the land by the owner, owner's immediate family, agent, employee or lessee. These parcels are taxed at 3.816% of their agricultural productive capacity value. Parcels of land containing 20 acres or more but less than 160 acres which do not qualify under these criteria are considered non-qualified agricultural land. These non-qualifying parcels are valued as average (Grade 3) grazing land. The taxable

value is then computed by multiplying that value by seven times the tax rate for agricultural land. Since the current rate for agricultural land is 3.816%, the tax rate for this property is 26.712%. In accordance with provisions of SB195, there was a phase-in of the taxable value.

3. Parcels of land less than 20 acres under one ownership are taxed as agricultural land if they produce and the owner markets $1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal vegetable matter for food or fiber.

4. Land is not valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes. The land may not be devoted to a residential, commercial or industrial purpose.

The formula for valuation of agricultural land is: V = I/R

Where:

V	-	is the value of each type of agricultural land,
I	-	is the net income of each type of agricultural land,
R	-	is the capitalization rate. That rate converts the net income estimate into an estimate of productive value.

AGRICULTURAL CLASSIFICATION OF LAND

Grazing Land
Those lands, either native range or domestic range, which are used to support agricultural livestock. Grazing land is graded on the basis of the soils capacity to produce palatable forage for livestock without causing injurious effect to the vegetative cover of the land. Carrying capacity is measured in Animal Unit Months per acre (AUM/AC) or acres per Animal Unit Month (AC/AUM). Grazing land which is irrigated a majority of the time and has a reliable source of water will be classified as irrigated land. Dryland alfalfa or grazing land which is not irrigated or hayed a majority of the time is classified as grazing.

Tillable Irrigated Land
All hayland and cropland that is irrigated a majority of the time (2 out of 3 years, 3 out of 5 years, etc.). All agricultural land, including grazing land, in a specified irrigation district where the land is designated as irrigable, with shares of water appurtenant to such land, shall be classified as irrigated, regardless of whether the water is actually applied or not applied to the land.

Land that has water for irrigation most years shall be classified as irrigated if the water is used. Those lands with water available most years but the water is not used, will be classified according to current use.

Land that is irrigated only during high water may be classified according to use, but it should carry a higher grade to reflect the occasional extra water and increased production.

Irrigated schedules are based on tons of alfalfa per acre. Alfalfa is the predominant crop grown on irrigated fields. Adjustments can be made for other cash crops using a conversion guide.

There are three rotations, each indicative of the cash value achieved from the production of generally-accepted irrigated crops grown in a particular area. As shown below, these rotations are generally differentiated by the variety of crops which can be grown in a particular area (i.e., the options a grower has in rotating various crops on his/her irrigated cropland acreage). The number of frost-free days may influence the extent of options available. However, available cropping options ar not limited exclusively by frost-free days.

Minimum Rotation: 90 or less frost-free days. Production from this land would be limited to alfalfa hay and small grains. Growers would not have the option to profitably produce any other crops over a sustained period of years.

Medium Rotation: 91 to 110 frost-free days. Lands are placed in this rotation when the grower has the option of producing a greater variety of crops than listed in the minimum rotation. Growers should be able to produce alfalfa hay, alfalfa seed, small grains, edible beans, sunflowers, safflowers, and potatoes.

Maximum Rotation: 110 or more frost-free days. These lands are capable of producing any crop which can typically be grown in Montana. Examples are all crops grown in minimum and medium rotations and, also, corn for silage, corn for grain, and sugar beets.

Climatological data should be utilized to assist appraisers in placing irrigated land into the proper rotation.

Continuously Cropped Non-Irrigated Hayland
Lands on which the native vegetation, non-irrigated alfalfa or other domestic varieties are cut for hay yearly or a majority of the time over a period of years. Hayland which is irrigated less than a majority of the time or that does not have a reliable source of water is classified as continuously cropped non-irrigated hayland. It should carry a higher grade to reflect the occasional irrigation.

Non-Irrigated Farmland: Summer Fallow and Continuously Cropped
Typical dryland farming found in the majority of Montana. Strip farming or block farming are the most common forms of non-irrigated farmland.

Summer fallow: Typically, crops are produced every other year or every third year and the land is left idle in the off years.

Continuously cropped lands are found primarily in Northwestern Montana. Normally, crops are grown 3 out of 4 years and it must be an accepted practice for the area.

Grading is based on bushels of wheat per acre. Conversions are made for barley production.

*Class 1, Maximum Rotation, Assessed Value per Acre By Water Cost Categories

		Water Class					
		2	3	4	5	6	7
	Tons of	$5 - $9.99	$10 - $14.99	$15 - $19.99	$20 - $24.99	$25 - $29.99	$30 +
Grade	Alfalfa/AC	($7.50 mdpt)	($12.50 mdpt)	($17.50 mdpt)	($22.50 mdpt)	($27.50 mdpt)	($32.50 mdpt)
1a	4.5 +	882.66	804.54	726.41	648.29	570.16	492.04
1b	4.0 - 4.4	776.30	698.17	620.05	541.92	463.80	385.67
2	3.5 - 3.9	669.93	591.80	513.68	435.55	357.43	309.29
3	3.0 - 3.4	563.56	485.44	407.31	329.19	278.74	278.74
4	2.5 - 2.9	457.20	379.07	300.95	248.19	248.19	248.19
5	2.0 - 2.4	350.83	272.70	202.37	202.37	202.37	202.37
6	1.5 - 1.9	244.46	171.83	171.83	171.83	171.83	171.83
7	1.0 - 1.4	138.09	126.01	126.01	126.01	126.01	126.01
8	> 1.0	95.46	95.46	95.46	95.46	95.46	95.46

* These are full 1997 reappraisal values; they are not phase-in values.

*Class 2, Medium Rotation, Assessed Value per Acre By Water Cost Categories

		Water Class					
		2	3	4	5	6	7
	Tons of	$5 - $9.99	$10 - $14.99	$15 - $19.99	$20 - $24.99	$25 - $29.99	$30 +
Grade	Alfalfa/AC	($7.50 mdpt)	($12.50 mdpt)	($17.50 mdpt)	($22.50 mdpt)	($27.50 mdpt)	($32.50 mdpt)
1a	4.5 +	794.40	724.09	653.77	583.46	513.15	442.84
1b	4.0 - 4.4	698.67	628.35	558.04	487.73	417.42	347.10
2	3.5 - 3.9	602.94	532.62	462.31	392.00	321.69	309.29
3	3.0 - 3.4	507.21	436.89	366.58	296.27	278.74	278.74
4	2.5 - 2.9	411.48	341.16	270.85	248.19	248.19	248.19
5	2.0 - 2.4	315.75	245.43	202.37	202.37	202.37	202.37
6	1.5 - 1.9	220.01	171.83	171.83	171.83	171.83	171.83
7	1.0 - 1.4	126.01	126.01	126.01	126.01	126.01	126.01
8	> 1.0	95.46	95.46	95.46	95.46	95.46	95.46

* These are full 1997 reappraisal values; they are not phase-in values.

*Class 2, Minimum Rotation, Assessed Value per Acre By Water Cost Categories

		Water Class					
		2	3	4	5	6	7
	Tons of	$5 - $9.99	$10 - $14.99	$15 - $19.99	$20 - $24.99	$25 - $29.99	$30 +
Grade	Alfalfa/AC	($7.50 mdpt)	($12.50 mdpt)	($17.50 mdpt)	($22.50 mdpt)	($27.50 mdpt)	($32.50 mdpt)
1a	4.5 +	794.40	724.09	653.77	583.46	513.15	442.84
1b	4.0 - 4.4	698.67	628.35	558.04	487.73	417.42	347.10
2	3.5 - 3.9	602.94	532.62	462.31	392.00	321.69	309.29
3	3.0 - 3.4	507.21	436.89	366.58	296.27	278.74	278.74
4	2.5 - 2.9	411.48	341.16	270.85	248.19	248.19	248.19
5	2.0 - 2.4	315.75	245.43	202.37	202.37	202.37	202.37
6	1.5 - 1.9	220.01	171.83	171.83	171.83	171.83	171.83
7	1.0 - 1.4	126.01	126.01	126.01	126.01	126.01	126.01
8	> 1.0	95.46	95.46	95.46	95.46	95.46	95.46

* These are full 1997 reappraisal values; they are not phase-in values.

CLASSES, GRADES AND VALUES FOR MONTANA AGRICULTURAL LANDS AS APPROVED BY THE DEPARTMENT OF REVENUE

* NON IRRIGATED FARMLAND SUMMER FALLOW BASIS (F)

Grade	Bu. Wheat Per Acre Summer Fallow	1997 Assessed Value/AC
f1a8	40 & over	$309.29
f1a7	38 - 39	$294.01
f1a6	36 - 37	$278.74
f1a5	34 - 35	$263.47
f1a4	32 - 33	$248.19
f1a3	30 - 31	$232.92
f1a2	28 - 29	$217.65
f1a1	26 - 27	$202.37
f1a	24 - 25	$187.10
f1b	22 - 23	$171.83
f2a	20 - 21	$156.55
f2b	18 - 19	$141.28
f2c	16 - 17	$126.01
f3a	14 - 15	$110.73
f3b	12 - 13	$95.46
f4a	10 - 11	$80.19
f4b	8 - 9	$64.91
f5	Under 8	$30.55

* GRAZING LAND (G)

Grade	Acres/1000# Steer 10 Mo. Ac/AUM	1997 Assessed Value/AC
1A2	Under 3	$647.46
1A1	3 - 5	$323.73
1A+	5.1 - 5.9	$235.44
1A	6 - 10	$161.87
1B	11 - 18	$89.30
2A	19 - 21	$64.75
2B	22 - 27	$52.85
3	28 - 37	$39.84
4	38 - 55	$27.85
5	56 - 99	$16.71
6	100 & Over	$10.36

* NON IRRIGATED CONTINUOUSLY CROPPED HAYLAND (WH)

Grade	Tons Of Hay Per Acre	1997 Assessed Value/AC
1	> 3.0	$638.20
2	2.5 - 2.9	$574.38
3	2.0 - 2.4	$468.02
4	1.5 - 1.9	$361.65
5	1.0 - 1.4	$255.28
6	.5 - .9	$148.91
7	< .5	$53.18

* NON IRRIGATED FARMLAND, CONTINUOUSLY CROPPED BASIS (CC)

Grade	Bu. Wheat Per Acre Per Year	1997 Assessed Value/AC
1A4	44 & Over	$679.67
1A3	42 -43	$649.12
1A2	40 - 41	$618.57
1A1	38 - 39	$588.03
1A	36 - 38	$557.48
1	34 - 35	$526.93
2	32 - 33	$496.39
3	30 - 31	$465.84
4	28 - 29	$435.29
5	26 - 27	$404.75
6	24 - 25	$374.20
7	22 - 23	$343.65
8	20 - 21	$313.11
9	18 - 19	$282.56
10	16 - 17	$252.01
11	14 - 15	$221.46
12	12 - 13	$190.92
13	10 - 11	$160.37
14	Less than 10	$76.37

* These are full 1997 reappraisal values; they are not phase-in values.

The Property Assessment Division of the Department of Revenue currently has three computer systems:

1. BEVS (Business Equipment Valuation System)
2. CAMAS (Computer Assisted Mass Appraisal System)
3. MODS (Montana Ownership Database System)

BEVS

The Business Equipment Valuation System (BEVS) is a computer assisted valuation system used by the Department to value and assess personal property business equipment and livestock subject to ad valorem taxation. BEVS generates market value for over 88,000 parcels of property containing equipment and livestock. These valuations are based on characteristic data identified in the system such as quantity, make, model, year acquired, acquired cost, etc. The value of each piece of equipment and/or livestock identified for a specific business owner is recapped by class code to produce a valuation roll-up, or master record, for that property.

Two years of personal property information (current/previous) are maintained on BEVS. The current year's information is stored in a "working file" where changes are made and reports gathered. The previous year's information is used for viewing only.

BEVS provides the department the ability to generate itemized reporting forms. New property owners only need to review the previously reported personal property and update the information for the current year. This has resulted in a substantial savings in time to property owners.

BEVS provides the ability to list and value business equipment and livestock reported to the Department by property owners more accurately and uniformly than ever before. Its reporting functions enable staff to produce statistical reports by specific property types which can be used to identify discrepancies in valuations between similar businesses.

Automation of business equipment and livestock valuation has greatly enhanced efficiency and allows assessment staff the opportunity to concentrate their efforts on other responsibilities such as on-site field inspections of farms and businesses to ensure a greater degree of accuracy and equity in the valuation and assessment of these properties.

CAMAS

The CAMAS (Computer Assisted Mass Appraisal System) is a set of computer programs and user procedures that help create and maintain a database of property information for each county in the state. The database holds the records of property characteristics that affect the tax evaluation of each parcel in the state. It uses these files to produce computer assisted cost and market valuations of the residential and agricultural properties, and cost and income valuations of the commercial and industrial properties.

The CAMA System provides the department with the ability to utilize all three approaches to value, COST, MARKET and INCOME.

Cost Approach

The CAMAS cost program provides appraisers with the ability to estimate the depreciated cost of reproducing or replacing a building and its site improvements. This is accomplished by determining the replacement cost new of a structure and deducting any loss in value do to physical deterioration, and functional or economic obsolescence.

The significance of the Cost Approach lies in the extent of its application. It is the one approach that can be used on all types of construction on each type of property. It is a starting point for appraisers in determining the value of a property. Its widest application is in the appraisal of properties where the lack of adequate market and income data preclude a reasonable application of the other traditional approaches to value.

Market Approach
The CAMAS Market modeling program gives appraisers the ability to value property using the comparable sales approach to establish market value. When a sufficient number of sales are available, market models can be developed. The models are then applied, in conjunction with a comparable sales analysis, to provide an estimate of the market value of each property. In making this analysis, individual properties are valued using three to five comparable sales. The comparable sales are adjusted to the subject for differences such as square foot of living area, location, year built, date of sale, quality grade, etc. The adjustments for each comparable are then applied to their sale price. The result is an estimate of value for the subject property, based on the adjusted sales of the comparable properties.

Income Modeling
CAMAS income modeling gives the appraiser the ability to value income producing properties using the income approach to value. In applying the income approach to value, the appraiser must determine market rents, expenses and appropriate capitalization rates.

When income modeling the appraiser develops a basic set of income and expense models based on market data. Through use of a capitalization rate, income is capitalized into an estimate of value. The models created reflect current economic trends in specific valuation areas. The value indications produced by the income approach and the cost approach are compared. A final value for the property is then determined.

The primary objective of CAMAS is to assist the department in determining uniform, accurate, equitable and defensible valuations of all types of classes of real property statewide. CAMAS has enabled the department to produce accurate, detailed reports and statistical information pertaining to the valuation of over 727,000 residential, commercial, industrial, agricultural, and forest land properties statewide.

CAMAS has allowed the department to complete reappraisal cycles with fewer employees than any previous cycle. In the last year of the department's 1978 reappraisal cycle, the Property Assessment Division employed 784 FTE. During the last year of the 1986 reappraisal cycle, the division employed 465 FTE. The division was authorized 418 FTE to complete the 1993 reappraisal cycle. The department had 353 authorized FTE to complete the reappraisal that concluded on December 31, 1996. The staffing was further reduced by 34 FTE by the 1997 legislature.

MODS

The Montana Ownership Database System (MODS) provides the Department of Revenue staff the ability to maintain, real and personal property ownership and address information for over 796,000 parcels of real and personal property subject to ad valorem taxation. MODS contains owner(s) name, mailing address, legal descriptions, and market and taxable values,

Prior to the implementation of MODS, Property Assessment Division personnel entered ownership information into both CAMAS and BEVS. Now, all ownership information is maintained on the MOD System and transmitted electronically to CAMAS and BEVS.

Market and taxable values (of all classes of real and personal taxable property) generated by the state's CAMAS and BEVS systems are uploaded electronically to MODS and stored in summary form, by assessment code number. This function provides state and local government with a broad database of real and personal property ownership and valuation information, and allows for electronic preparation of all state and county recap reports and reporting forms from a central database.

The MOD System allows the Department to produce and mail assessment notices for every county, from a central location. We are able to utilize the Department of Administration's laser printer, fold/pressure seal machine, and bar-code spraying machine. These features, in conjunction with the MODS on-line Postal Service address certification program, eliminate the need for staff to handle mailings. The Department achieved Postal Address

Certification of over 91% of the MODS mailing addresses statewide in the first year. This results in reduced postage rates. Local government can take advantage of the certified addresses from MODS to also reduce their mailing costs.

MODS provides the Department the ability to produce statewide statistical reports and analysis of valuation, assessment, and taxation information more quickly, efficiently and accurately than ever before.

Appendix I: Forms

Application For Property Tax Assistance Program

Form 2EC - Elderly Homeowner/Renter Credit

MONTANA DEPARTMENT OF REVENUE
APPLICATION FOR PROPERTY TAX ASSISTANCE PROGRAM
As Provided By 15-6-134 and 15-6-151, MCA

________________________ **County**

This Form Must be Returned to your local Appraisal/Assessment Office By March 15th or No Reduction Can Be Allowed.

- For Office Use Only -

____

____

____

____

Geocode: ______________
School District: ______________
Assessment Code ______________

(I) / (We) own a mobile home or home that may include land up to 5 acres, and occupied that same residence for at least 7 months a year; my tax filing status is: *(Check one)*

☐ **single ($15,718);** ☐ **married ($20,957); or** ☐ **head of household* ($20,957)**; and my total income from last year, including otherwise tax exempt income of all other types, does not exceed the amount listed next to the filing status I have checked above. *(* Qualifications for head of household follow federal guidelines).*

Signature ______________________________ Social Security Number ______________
Name of Spouse ______________________________ Social Security Number ______________
Phone Number ______________ Date ______________

Please list your TOTAL ANNUAL INCOME FROM ALL SOURCES including otherwise tax exempt income of all types for the calendar year preceding the year of application.

$__________ Employment Income
$__________ Net Business Income Before Depreciation and/or Depletion **(Copy of IRS Schedule C, E or F must be attached)**
$__________ Net Rental Income Before Depreciation and/or Depletion **(Copy of IRS Schedule E must be attached)**
$__________ Social Security (Gross from Federal Form 1099.) Do not include Social Security paid directly to a nursing home or social security for dependent children.
$__________ Disability Income
$__________ Unemployment Benefits
$__________ Any Other Income (Lottery, refunds, etc.)

Pension Income:
$__________ Railroad
$__________ Teachers
$__________ Employment
$__________ Veterans
$__________ Any Other
$__________ Aid to Dependent Children
$__________ Maintenance (Alimony)
$__________ Child Support
$__________ Interest Income (From all sources such as banks & checking accounts)

TOTAL INCOME $______________

FOR DEPARTMENT USE ONLY

☐ Approved ☐ Disapproved

Total Income $______________

This reduction applies to the first $100,000 or less of the market value of any mobile home or improvement on real property and appurtenant land not exceeding 5 acres.

Land: Code ________ Market Value ______________
Imp: Code ________ Market Value ______________
MH: Code ________ Market Value ______________

- -

To be used for nonqualified land or improvements.
Land: Code ________ Market Value ______________
Imp: Code ________ Market Value ______________

CODES:

INCOME			CLASS CODES		
Single	M/H	%	Land	Imp	MOB
0 - 6,287	0 - 8,383	20	2132	3137	6237
6,288 - 9,640	8,384 - 14,670	50	2135	3140	6240
9,641 - 15,718	14,671 - 20,957	70	2137	3142	6242

DO NOT USE THIS SPACE R

MONTANA
2EC
Rev. 8/98

1998 ELDERLY HOMEOWNER/RENTER CREDIT

MCA 15-30-171 through 15-30-179
File on or before April 15, 1999, or with your Form 2 or 2S

Instructions on back

RETURN WILL NOT BE PROCESSED WITHOUT A COPY OF YOUR 1998 PROPERTY TAX BILL OR RENT RECEIPT(S)
PLEASE ATTACH THESE TO THIS FORM

Last Name	Your First Name & Middle Initial	Your Social Security No.
Spouse's Last Name if Different	Spouse's First Name & Middle Initial	Spouse's Social Security No.
Mailing Address	City State	Zip Code+4

PLEASE FOLLOW INSTRUCTIONS ON THE BACK WHEN COMPLETING THIS FORM **PART I -** IF THE ANSWER TO ANY OF THE QUESTIONS BELOW IS NO, YOU ARE NOT ELIGIBLE FOR THE CREDIT. DO NOT COMPLETE THIS SCHEDULE.	YES	NO
Were you age 62 or older as of December 31, 1998?		
Did you reside in this state for 9 months or more during 1998?		
Did you occupy Montana residence(s) as an owner or renter a total of 6 months or more during 1998?		
Was your total gross household income **less** than $35,000 in 1998?		

PART II - List taxable and nontaxable income received from all members of the household.

1. Enter total income received from wages, fees, bonuses, all capital gains, ordinary income, dividends and interest ***Do not include any losses*** .... 1. ______
2. Enter total income for business, partnerships, rents, royalties, etc. ***Do not include any losses*** .... 2. ______
3. Enter any payments and interest on federal, state, county and municipal bonds .... 3. ______
4. Enter alimony, public assistance, unemployment, tax refunds, state, federal and 2EC (etc.) .... 4. ______
5. Enter all pensions, annuities, and IRA's including Railroad Retirement, PERS, Veteran's Disability, All social security income except social security paid directly to a nursing home .... 5. ______
6. Total income (add lines 1 thru 5) If greater than $35,000, stop here, you do not qualify .... TOTAL 6. ______
7. Standard exclusion 7. ($6,300)
8. Total household income. Subtract line 7 from line 6 (if less than zero enter zero) .... TOTAL 8. ______

PART III - <u>HOMEOWNER</u> - Complete line 9 (**Renters—**use line 10)

9. All 1998 property taxes, fees, special assessments, and SIDs **BILLED** on residence and land ***not to exceed 1 acre***. See instructions........ 9. ______

<u>RENTER</u> - Complete form on reverse side

10. Rent paid on residence in 1998 (attach signed rent receipts) .... 10. ______
11. Rent equivalent—Multiply line 10 by 15% (.15) .... 11. ______
12. Total of allowable property tax and/or allowable rents paid—Line 9 and/or line 11 .... 12. ______

PERCENT OF HOUSEHOLD INCOME COMPUTATION

13. Total household income from line 8 .... 13. ______
14. Enter multiplier figure from tax table on reverse side .... 14. ______
15. Net allowable household income—Multiply line 13 by line 14 .... 15. ______
16. Subtract line 15 from line 12. ***If zero or less, you cannot take the credit; do not file this form***........ 16. ______
17. Enter the amount from line 16 or $1,000 whichever is smaller (the maximum refund is $1,000) .... 17. ______

If you file a Montana State Tax Form 2, enter amount from line 17 on line 57.
If you file a Montana State Tax Form 2S, enter amount from line 17 on line 33.
If you are not required to file Form 2 or 2S, mail this form to:

Montana Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

REFUNDS WILL BE ISSUED THROUGH THE DEPARTMENT OF REVENUE

I declare under penalty of false swearing that the information in this return and attachment is true, correct and complete.

Your Signature	Date	Telephone Number	Spouses's Signature	Date

ATTACH THIS FORM TO YOUR RETURN

Elderly Homeowner or Renter Credit

Instructions (principal residence only)

The elderly homeowner or renter credit is for your use if you're 62 years old or older. A credit for your property taxes assessed or rent paid may be used against your state income tax liability or as a direct refund even if you're not required to file a Montana state return.

Please read the instructions and complete the form to see if you qualify for the credit.

Additional help is available by calling 1-406-444-3674 or TDD 1-406-444-2830 for hearing impaired. ☎

Part I

Answer all questions. If the answer to any question is "NO", you are not eligible for the credit.

Part II

Household income—Include all income received by you and any members of your household. If your income exceeds $35,000, stop here, you do not qualify. Only one claim is allowed per household.

Lines 1-6. Enter on lines 1 thru 5 your income from the various sources, and enter the total on line 6. (Do not include any social security paid directly to a nursing home on line 5). ***Do not include any losses. You must report gains, including gains on the sale of your home. All tax refunds must also be reported.***

Line 7. Standard Exclusion.

Line 8. Subtract the amount on line 7 from line 6 and enter balance. (If less than zero enter zero).

Trusts: 1998 property taxes billed on a residence held in a *revocable trust* which are paid by an eligible claimant are allowable. The eligible claimant and their spouse must be the only trustees of the revocable trust.

If the property occupied by an eligible claimant is in a name other than the claimant, the property taxes billed are allowable only as rent. This includes irrevocable or family trusts.

Qualifying individuals who place their residence in a *life estate* and who pay the property tax may claim the taxes when calculating this credit.

Part III-HOMEOWNERS

Line 9. Include a copy of your property tax bill or a letter from your County Treasurer showing the total property taxes billed and assessed for 1998.

The property taxes allowed on line 9 on the 1998 2EC are the total taxes billed on your November of 1998 property tax statement on your residence and surrounding land (not to exceed 1 acre). This amount includes all special assessments and fees. The 1998 2EC is based on 1998 property taxes billed, not the property taxes actually paid.

If land is less than 19.99 acres compute the total amount of the tax billed on the land divided by the total acreage to equal the allowable amount of property tax billed. If any questions, contact your county assessor's office. If land is 20 acres or more you must contact your county assessor's office for the computation.

Contact your County Treasurer for the correct tax figures if you have questions.

Skip lines 10 and 11 and enter your allowable tax from line 9 on line 12.

RENTERS. Complete box below. Signed rent receipts must be attached.

Renters of county or municipal housing authority dwellings are eligible to apply.

When a taxpayer lives in a health care, long-term care, personal care, or a residential care facility, the rent allowed is the actual out of pocket rent paid. If an adequate breakdown between rent and amenities paid is not provided, the rent allowed will be limited to $20 per day.

Line 10—Enter the amount of rent you paid in 1998. Signed rent receipts must be attached.

Line 11—Multiply line 10 by 15% (.15). Enter the result here and on line 12.

HOMEOWNERS and RENTERS

If you own your home and rent the land or rent your home and own the land:

Enter 1998 taxes billed on line 9. Enter your rent paid on line 10. Add lines 9 and 11 and enter total on line 12.

Line 13—Enter your household income from line 8.

Line 14—From the table below enter your multiplier based on your household income. (example: household income - $8,500, multiplier - .039.)

Line 15—Multiply line 13 by line 14 and enter the result.

Line 16—Subtract line 15 from line 12. (not less than zero.)

Line 17—Enter the amount from line 16 or $1,000, whichever is smaller. This is the amount of your credit.

If you file a Montana individual income tax return, enter this amount on line 57 Form 2, page 2 or Form 2S, line 33. If you don't file a tax return, mail this form to Montana Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

HOUSEHOLD INCOME REDUCTION TABLE

If your HOUSEHOLD INCOME on line 8 is: At least	But not more than	Your multiplier for line 14 is:
$ 0	$ 1,999	0
2,000	2,999	.006
3,000	3,999	.016
4,000	4,999	.024
5,000	5,999	.028
6,000	6,999	.032
7,000	7,999	.035
8,000	8,999	.039
9,000	9,999	.042
10,000	10,999	.045
11,000	11,999	.048
12,000 & over		.050

Signed Rent Receipts must be attached

This is not a substitute for rent receipts.

RENTER

COMPLETE LINES A THROUGH G

A. Name of landlord ____________________

B. Address of landlord ____________________

C. City ____________________

D. Is your landlord a relative?

☐ Yes: Relationship ____________________

☐ No

E. Telephone number of landlord ____________________

F. How many months did you rent in 1998? ____________________

G. Enter here and on line 10 the total amount of rent paid in 1998.

$ ____________________

If more than (1) landlord—please list on separate sheet.

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